November 08, 2024

MANAGEMENT'S DISCUSSION & ANALYSIS
(All figures are expressed in thousands of Canadian dollars)

This Management's Discussion & Analysis ("MD&A") for the nine-months ended September 30, 2024 has been prepared to help investors understand the financial performance of Spectral Medical Inc. ("Spectral" or the "Company") in the broader context of the Company's strategic direction, the risks and opportunities as understood by management, and the key success factors that are relevant to the Company's performance. Management has prepared this document in conjunction with its broader responsibilities for the accuracy and reliability of the condensed interim consolidated financial statements and accompanying notes, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), including IAS 34, "Interim Financial Reporting", as well as the development and maintenance of appropriate information systems and internal controls to ensure that the financial information is complete and reliable. The Finance and Audit Committee of the Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability and consistency.

This MD&A is dated November 08, 2024 and should be read in conjunction with the condensed interim consolidated financial statements for the nine-months ended September 30, 2024, and the audited annual consolidated financial statements of the Company for the years ended December 31, 2023 and December 31, 2022 ("Annual Financial Statements"), as well as management's discussion and analysis for the year ended December 31, 2023.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities law. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. These statements are based on certain factors and assumptions regarding, among other things, expected growth, results of operations, performance and business prospects and opportunities. While we consider these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect. Forward looking-information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors include, among other things, the availability of funds and resources to pursue development projects, the successful and timely completion of clinical studies, and the ability of the Company to take advantage of business opportunities, the granting of necessary approvals by regulatory authorities as well as general economic, market and business conditions. For more exhaustive information on these risks and uncertainties you should refer to our most recently filed Annual Information Form which is available at www.sedarplus.com. Forward-looking information contained in this MD&A is based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.

This document and the related consolidated financial statements can also be viewed on the Company's website at www.spectraldx.com and at www.sedarplus.com. The Company's Annual Information Form and Management Information Circular are also available on these websites.

INTRODUCTION

The Company's primary strategic focus is on the regulatory development and commercialization of its products in the area of septic shock. The Company's products for the treatment of septic shock include its EAA™ diagnostic and PMX therapeutic device. If approved, this will be the first targeted therapy guided by a specific diagnostic in the area of sepsis. Furthermore, the Company is continuing its legacy business of manufacturing and selling certain proprietary reagents.

ENDOTOXIN ACTIVITY ASSAY ("EAA™")

Spectral has pioneered the development of biochemical markers for the clinical syndrome known as "septic shock". In 2003, the Company achieved U.S. Food and Drug Administration ("FDA"), Health Canada ("HC") and European CE clearance of the EAA™ for the first recognized rapid test for the risk of developing sepsis in the Intensive Care Unit ("ICU"). In North America alone over 1,700,000[1] patients are diagnosed with the clinical syndrome of sepsis annually. Approximately 425,000[2] patients develop septic shock in the ICU, with a mortality rate at approximately 50%[3]. The Company's addressable market, which is comprised of patients suffering from endotoxemic septic shock, represents an estimated 140,000 patients per year. Earlier identification and treatment of patients at risk for sepsis reduces mortality and saves significant cost by reducing the length of stay in the ICU and by helping to guide therapeutic interventions. Spectral's EAA™ endotoxin activity measurement is the only FDA cleared diagnostic for this indication currently on the market.

POLYMYXIN B-HEMOPERFUSION ("PMX")

PMX is a therapeutic hemoperfusion device that removes endotoxin from the bloodstream. PMX has been on the market in many countries outside the U.S. and has been used in more than 340,000[4] patients to date, and has demonstrated in clinical trials that it safely (fewer than 0.01% adverse events) and effectively removes endotoxin and reduces mortality in patients with septic shock.

PROPRIETARY REAGENTS

Spectral develops, produces and markets recombinant proteins, antibodies and calibrators. These materials are sold for use in research and development as well as in products manufactured by other diagnostic companies.

1.*Centers for Disease Control and Prevention, National Center for Emerging and Zoonotic Infectious Diseases (NCEZID), Division of Healthcare Quality Promotion (DHQP) August 9, 2022*

2 *Critical Care Medicine 46(12):p 1889-1897, December 2018*

3 *National Centre for Emerging and Zoonotic Infectious Disease (NCEZID); Centers for Disease Control and Prevention, Division of Health Care Quality Promotion (DHCQP) data reports, 2016.*

4 *Report of Prior Investigations ("ROPI") is a report that is part of the Code of Federal Regulations, from September 1994 to January 2022.*

DIALCO AND INVESTMENT IN IDIALCO JOINT ARRANGEMENT

Dialco Medical Inc. ("Dialco") was incorporated in 2019 as a medical device start-up as a subsidiary of Spectral. Dialco was formed with the objective to commercially develop the SAMI and DIMI dialysis machines. SAMI is a proprietary Continuous Renal Replacement Therapy ("CRRT") device focused on the acute market (ICU dialysis) and sub-acute markets. Dialco commenced procurement and development of SAMI units in 2017 but has had limited sales activity, with the first commercial sales occurring in 2020.

DIMI is a hemodialysis (HD) device focused on the chronic market (skilled nursing facilities and in-home). The DIMI device is not FDA approved for in-home use, and requires a home usability trial ("DIMI Trial") prior to commercialization activities.

The DIMI Trial experienced challenges in securing participating sites to enroll patients in addition to complexity in running a trial where patients would have to be monitored while in-home. It was difficult to accurately budget for the cost of completing the DIMI Trial, but Spectral expected costs to exceed $10,000. In order to pursue and complete the DIMI Trial, external funds would have been required. In 2022 Spectral engaged an investment bank and initiated a broad funding campaign reaching out to over 100 potential investors. The targeted audience of potential investors were predominantly healthcare and medical device-focused investors, which included private equity, venture capital, family offices, institutional investors of varying sizes, as well as potential strategic partners operating in the dialysis sector. The capital raise process was unsuccessful and Spectral was unable to find investors that were interested in investing in Dialco. With Spectral being unable to secure financing to support the DIMI Trial, on December 12, 2022, Spectral negotiated and entered into the joint arrangement with Infomed SA ("Infomed"), obtaining 30% interest in iDialco joint venture (the "iDialco"), whereby Infomed would fund operating expenditures of iDialco in addition to seeking to fund the DIMI Trial. iDialco will develop and manufacture blood purification devices, exclusively focused on commercializing the SAMI and DIMI dialysis devices in the North American markets.

With the investment in iDialco, Spectral is no longer focused on the dialysis device market, and therefore the Dialco operations were considered discontinued as at December 31, 2022.

As at December 31, 2023 the company impaired its investment in iDialco and no further losses are recorded. As at September 30, 2024 the investment was at $Nil (December 31, 2023 – $Nil). The Company will continue to track the future losses and gains booked by iDialco.

While the Company maintains a 30% ownership and voting rights within iDialco, there are no specific financial liabilities or cash obligations of Spectral. The iDialco operations are fully funded by Infomed. From time to time, certain services may be rendered by Spectral in support of the joint arrangement or charges incurred directly by Spectral which are then charged back to iDialco.

CLINICAL DEVELOPMENT

The Company's clinical development program continues to focus on obtaining FDA approval for PMX. Below is a summary of key clinical development updates during 2022, 2023 and 2024;

On July 11, 2022, the Company announced that the FDA granted Breakthrough Device designation for the Company's PMX device. The goal of the Breakthrough Device Program (https://www.fda.gov/regulatory-information/search-fda-guidance-documents/breakthrough-devices-program) is to provide patients and health care providers with timely access to medical devices by speeding up their development, assessment, and review, while preserving the statutory standards for premarket approval, 510(k) clearance, and De Novo marketing authorization, consistent with the Agency's mission to protect and promote public health.

On August 18, 2022, the Company announced FDA approval to add up to 10 additional Tigris clinical trial sites. This approval allows for an increase to 25 trial sites. The Company believes the addition of sites will have a positive impact on patient enrollment rates into the Tigris trial.

The COVID-19 pandemic has had significantly negative impacts on non-COVID research in the ICU. The COVID-19 wave of infections had many ICUs in hard hit regions of the U.S. at full capacity of critically ill patients with COVID-19. Research staff were either drawn into clinical care, or were unable to enter the hospital or were engaged in high-priority studies of COVID therapies. During the second half of 2022, all clinical sites resumed screening and are open for enrollment. Recruitment has been significantly impacted but should normalize as the proportion of patients in the U.S. develop immunity either from vaccination or infection.

On March 23, 2023, the Company engaged a new contract research organization ("CRO"), Beaufort. Beaufort has extensive experience with ICU clinical trials and brings a strong regulatory group, experienced biostats personnel, and additional clinical field resources. Onboarding activities are progressing well, with full transition from the incumbent CRO expected by August 2023. As part of its engagement, Beaufort is reviewing and evaluating recruitment and enrollment processes on a site-by-site basis of Tigris sites.

On April 6, 2023, the Company announced positive results from the EUPHAS-2 clinical trial. This study included 50 critically ill endotoxic septic shock patients assessed with Spectral's EAA™ diagnostic and treatment with PMX. The study reported a 28-day mortality of just 36% with the treated patients versus a predicted 75% mortality utilizing the widely accepted SAPS II mortality estimation tool. This represents more than a 50% estimated relative mortality reduction with the use of PMX. The patient population of the EUPHAS-2 study aligns with the patient population of the Tigris Trial.

On May 17-18, 2023, the Company held a Tigris trial investigator meeting in Charlotte, North Carolina. The in-person meeting was attended by principal investigators and clinical research coordinators from all existing and new trial sites, as well as the Company's new CRO, Beaufort. Also in attendance were representatives from the Company's strategic partner Baxter.

On March 12-13, 2024, the Company held an in-person Investigator Meeting in March 2024 San Diego, California. This in-person investigator meeting was held in conjunction with the 29th International Conference on Advances in Critical Care Nephrology, with attendance from existing and new trial sites and their principal investigators ("PI") and clinical research coordinators ("CRC"). The emphasis of the investigator meeting was on practical aspects of diagnosing ESS and treating with PMX, as well as how

EAA™ and PMX could be implemented into routine clinical practice after regulatory approval. Historically, patient enrollment increases post-investigator meeting.

COMMERCIALIZATION INITIATIVES

The Company has taken a number of other operational and strategic measures to prepare itself for commercialization.

On February 4, 2020, the Company announced that it had completed an exclusive distribution agreement with Baxter International Inc. ("Baxter"), for PMX and EAA™ in the U.S. and Canada. As part of this agreement, Baxter has the right to pay the Company a series of milestone payments including a non-refundable US$5,000 upfront rights payment, which was received in February 2020. Under the terms of the agreement, Baxter will be the Company's exclusive disributor of the PMX filter in the U.S. and Canada. Baxter also has non-exclusive rights to distribute EAA™ globally. Under the terms of the agreement, the Company is entitled to access Baxter's market capabilities while retaining control over the PMX regulatory process. Baxter has the option to maintain exclusive rights for PMX distribution through future milestone payments and maintaining minimum purchase requirements for PMX products.

Pursuant to the November 2, 2022 private placement, Baxter agreed to purchase certain of the Notes in connection with an amendment to a portion of the initial milestone payment due to the Company under the Distribution Agreement.

On January 6, 2023, Baxter announced a corporate re-organization, in which it will spin-off its Renal and Acute Therapies business, into an independent, publicly traded entity ("Vantive") expected to be completed in late 2024. With respect to Spectral's partnership with Baxter, the Company has been dealing with the Acute Therapies business unit; as such, we anticipate our exclusive distribution agreement will be transferred to Vantive at the time of the spin-off.

May 5, 2023, Baxter announced a new CEO of its Vantive business.

On August 22, 2023, Spectral executed a collaborative research agreement with Baxter Healthcare Corporation whereby it will provide certain clinical research services for the completion of a sub study in relation to the PMX product. Specifically, the sub study aims to obtain FDA clearance for hemoperfusion for Baxter's Prismax device, which could be utilized to administer the PMX therapy upon completion of the Tigris Trial and when approved for commercial use.

Pursuant to the September 7, 2023 private placement, Baxter agreed to purchase certain of the Notes in connection with an amendment to a portion of the Second Milestone Exclusive Rights Payment due to the Company under the Distribution Agreement.

On February 15, 2024, the Company notified Baxter that it had enrolled patient number 90. Subsequently, Baxter exercised its right to maintain its exclusive distribution rights for PMX and paid a non-dilutive US$1,500 payment to Spectral.

On February 21, 2024, the Company and Baxter announced an amendment to the initial term of the distribution agreement to 10 years post PMA approval.

On August 13, 2024, Baxter International announced that it had reached a definitive agreement with The Carlyle Group to divest its Vantive business ("Vantive-Carlyle transaction"). Spectral Medical's PMX distribution agreement with Baxter will be assigned to Vantive upon closing of the Vantive-Carlyle transaction, which is expected to close in late 2024 or early 2025.

OPERATIONS

The Company continues to focus its activities on its regulatory programs to achieve FDA approval of the PMX treatment for endotoxic septic shock. The Company also continues to sell its EAA™ diagnostic under the terms of existing commercial arrangements. Proprietary reagents continue to sell under regular purchase orders as issued by customers. Below is a summary of key Operational updates during 2022, 2023 and 2024;

On March 21, 2022, the Company announced the appointment of Blair McInnis as CFO, who assumes the role from Chris Seto who continues in his role as CEO. He is responsible for overseeing the financial management of the Company, including finance, accounting, treasury, business planning, and investor relations. Mr. McInnis has over fifteen years of corporate finance and reporting experience, most recently as Vice President of Finance at SMTC Corporation, a Nasdaq-listed issuer prior to being taken private by HIG in 2021.

On December 12, 2022, the Company entered into a joint arrangement with Infomed SA ("Infomed"), obtaining 30% interest in iDialco joint venture (the "iDialco"), whereby Infomed would fund operating expenditures of iDialco in addition to seeking to fund the DIMI Trial. iDialco will develop and manufacture blood purification devices, exclusively focused on commercializing the SAMI and DIMI dialysis devices in the North American markets. With the establishment of iDIalco, the previous Dialco operations were considered discontinued as at December 31, 2022.

On May 4, 2023, Mr. Jim Funk tendered his resignation from the Board of Directors of the Company, Mr. Funk served as a member of the Board of Directors since June 20, 2022.

On June 27, 2023, the Company announced that it had appointed Dr. David W. Feigal to its Board of Directors. Dr. Feigal brings over four decades of experience in regulatory affairs and clinical research of medical devices, biologics, and products in multiple therapeutic areas. Currently, Dr. Feigal is a Partner at NDA Partners LLC, a ProPharma Company, which is a life sciences management consulting and contract development organization (CDO) focused on providing product development and regulatory services to the pharmaceutical, biotechnology, and medical device industries worldwide. He has also worked for major U.S. and international life science corporations such as Amgen, Inc. serving as Vice President of Global Regulatory Affairs, and Elan Pharmaceuticals, Inc., serving as Senior Vice President of Global Regulatory Affairs and Global Safety Surveillance and Biostatistics. He has an extensive track record of international regulatory success with the approval/clearance of medical products in numerous therapeutic areas.

On October 2, 2023, Mr. Nosenzo tendered his resignation from the Board of Directors of the Company due to health reasons. Mr. Nosenzo served as a member of the Board of Directors since August 2020.

On November 30, 2023, Blair McInnis tendered his resignation as the CFO of the Company and Chris Seto resumed as acting CFO overseeing the Financial Management of the Company and supported by Medha Gupta who joined the company on December 4, 2023 as Vice President of Finance.

On April 1, 2024, Anthony Bihl resigned as the Chairman of the Board of Directors and Dr. Paul Walker was appointed as the new Chairman of the Board of Directors.

On June 7, 2024, Anthony Bihl retired from the Board of Directors of the Company.

On June 7, 2024, the Company announced that it had appointed Mr. Cristiano Franzi to its Board of Directors. Mr. Franzi is a seasoned global healthcare executive and board director with a 30-year track record at leading global Med-Tech companies. As Regional President for businesses of up to $4 billion in size at Solventum, Baxter, Medtronic, and Covidien, Mr. Franzi has proven his ability to deliver value by developing compelling visions, identifying new market opportunities, and articulating clear growth strategies while streamlining operations and implementing highly disciplined business models. Mr. Franzi currently serves as SVP International at Solventum, which in April 2024 spun from 3M. From 2017 to 2023, Mr. Franzi served as President of Baxter EMEA, where he also served as the interim global lead for the spin-off of the $4.5 billion Renal Care business ("Vantive"). Prior to Baxter, Mr. Franzi served as President, EMEA at Medtronic, and prior to that as President, EMEA at Covidien. Before that, he covered roles of increasing responsibilities at ev3, a private equity-backed medical device start up, where he played a key role in the international expansion of the company from inception to its $156 million IPO in 2005. He has overseen large acquisitions, mergers, integrations, and divestitures. Mr. Franzi worked with Baxter's Board on the strategy, due diligence, and integration for the $10.5 billion Hillrom acquisition and the preparations for the spin-off of the Renal Care business; he co-led the integration of Covidien at Medtronic in EMEA following the $42.9 billion acquisition. Additionally, he has served as an industry leader on the Board of MedTech Europe, the industry association in Europe. Mr. Franzi also serves as an expert advisor to leading global private equity firms and is an angel investor in MedTech startups. Mr. Franzi completed the Advanced Management Program (AMP197) at Harvard Business School, holds an MBA from George Washington University, and a bachelor's degree in business administration from The American University.

On July 11, 2024, the Company announced that the MNP has been appointed as the auditors of the Company following the decision by PricewaterhouseCoopers LLP ("PWC") to resign as the auditor of Spectral. The PWC's resignation was not the result of any disagreement between the Company and PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

OPERATING RESULTS

REVENUE

Revenue for the three-months ended September 30, 2024 was $502 compared to $397 for the same three-month period last year, representing an increase of $105 or 26%. Revenue for nine-months ended September 30, 2024, was $1,641 and $1,233 for the same period last year, representing an increase of $408 or 33%. Royalty revenue for the three-months ended September 30, 2024 was $NIL and $NIL for the same period prior year. Royalty revenue for the nine-months ended September 30, 2024 was $135 compared to $126 for the same nine-month period last year. This is due to an increase in usage of the Company's IP from one customer. Product Revenue for the three-months ended September 30, 2024 was $274 compared to $186 for the same three-month period last year, representing an increase of $88 or 47% Product revenue for nine-month ended September 30, 2024 was $841 and $562, representing an increase of $279 or 50%

Three-months ended September 30				
	2024	2023	Change	Change
Product revenue	**$**	**$**	**$**	**%**
Proprietary biochemicals	127	116	11	9
EAA™ diagnostic	68	70	(2)	(3)
Instrumentation	0	0	0	0
PMX	79	0	79	100
Total Product revenue	**274**	**186**	**88**	**47**

Nine-months ended September 30				
	2024	2023	Change	Change
Product revenue	**$**	**$**	**$**	**%**
Proprietary biochemicals	386	349	37	11
EAA™ diagnostic	255	150	105	70
Instrumentation	100	63	37	59
PMX	100	0	100	100
Total Product revenue	**841**	**562**	**279**	**50**

In February 2024, the Company notified Baxter that it had enrolled patient number 90. Subsequently, the Company and Baxter announced an amendment to the initial term of the distribution agreement to 10 years post PMA approval and Baxter exercised its right to maintain its exclusive distribution rights for PMX. Baxter paid a non-dilutive US$1,500 payment to Spectral.

Accordingly, the revenue booked on contract liabilities has been re-estimated to fully recognize the revenue by June 30, 2036. Reducing the total monthly revenue on contract liabilities from $55 (2023) to $40 (2024).

EXPENSES

Operating expenses for the three-months ended September 30, 2024, were $10,497, compared to $4,072 for the same period in the preceding year, an increase of $6,425 or 158 %. The increase is majorly due to the change in Fair value adjustment for derivative liabilities which increased by $6,075 and also the Interest expense increased by $628 due to convertible notes payable issued on September 07, 2023, May 30, 2024 and July 19, 2024.

Operating expenses for the nine-months ended September 30, 2024 were $20,194 compared to $10,292 for the same period in the preceding year, an increase of $9,902 or 96%. The change is primarily due to an increase in interest expense by $1,339 and Fair value adjustment in derivative liability increased by $6,530. All these increases are due to the funding received during September 2023, May 2024 and July 19, 2024.

In Addition, share-based compensation expense increased by $197. Lastly, consulting and professional fees increased by $352 due to increased site and patient fees related to the Tigris trial.

Clinical development and regulatory program costs (as disclosed in Note 13 of the condensed interim consolidated financial statements) were $638 for the three-months ended September 30, 2024 compared to $1,263 for the same period in the prior year. For the nine-months ended September 30, 2024, clinical development costs are $3,015 compared to $3,258 for the corresponding period in prior year. A significant portion of clinical trial and regulatory costs consists of consulting and professional fees paid to contract research organizations, clinical sites, and other clinical and regulatory consultants. The decrease in costs reflects decreased activity with respect to the initialization of clinical sites and no CRO onboarding fees which were experienced in 2023 as the trial is projected to be completed in first quarter of 2025.

LOSS

Loss for the three-months ended September 30, 2024 was $9,995, $(0.04) per share compared to a loss of $3,804, $(0.01) per share for the same period in the prior year. The increased loss of $6,191 was due to increased operating expenses, partially offset by a reduction in loss from discontinued operations of $130 related to the reduction in Dialco operating expenses.

Loss for the nine-months ended September 30, 2024 was $18,556, $(0.07) per share, compared to a loss of $9,184 $(0.03) per share, for the same period in the prior year. The increased loss of $9,372 was due to operating expenses, partially offset by a reduction in loss from discontinued operations of $122 related to the reduction in Dialco operating expenses.

SECURITIES OUTSTANDING

The total number of securities outstanding for the Company as at September 30, 2024 is as follows:

Common shares	282,815,223
Share options	11,651,662
RSUs	5,603,649
DSUs	4,074,284
Warrants	7,730,464

ACCOUNTING STANDARDS ADOPTED IN THE CURRENT YEAR

IAS 1, 'Presentation of Financial Statements'

In 2024, the IASB issued an amendment to IAS 1 these amendments clarify the requirements for classifying liabilities as either current or non-current. In particular, the amendments clarify how an entity classifies debt that an entity may settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The amendment was adopted on July 1, 2024.

The Non-current Notes payable were regrouped to Current Notes payable bringing the balance as at December 31, 2023 - $7,940 (January 01, 2023 - $3,566)

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS Accounting Standards and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the condensed consolidated interim financial statements and none have been early adopted.

SELECTED QUARTERLY FINANCIAL DATA

(In CAD (000s), except for Share and per Share data)

The following table summarizes the quarterly financial information for the nine-months ended September 30, 2024

Nine-months ended September 30, 2024	First Quarter	Second Quarter	Third Quarter	Total
Revenue	668	471	502	1,641
Loss and comprehensive loss from continuing operations	(4,157)	(4,401)	(9,995)	(18,553)
Loss and comprehensive loss from discontinued operations	(3)	0	0	(3)
Loss and comprehensive loss for the year	(4,160)	(4,401)	(9,995)	(18,556)
Basic and diluted loss per Share	(0.01)	(0.02)	(0.04)	(0.07)
Weighted average number of Shares outstanding	279,472,325	280,049,434	281,705,359	280,269,516

The following table summarizes the quarterly financial information for the year ended December 31, 2023 and the comparative year ended December 31, 2022.

Year ended December 31, 2023	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	530	306	397	365	1,598
Loss and comprehensive loss from continuing operations	(1,095)	(4,288)	(3,674)	(6,448)	(15,505)
Loss and comprehensive loss from discontinued operations	(43)	49	(130)	(31)	(155)
Loss and comprehensive loss	(1,138)	(4,239)	(3,804)	(6,479)	(15,660)
Basic and diluted loss per Share	(0.01)	(0.01)	(0.01)	(0.02)	(0.06)
Weighted average number of Shares outstanding	278,547,804	278,556,560	278,604,718	278,576,261	278,563,241

*Year ended December 31, 2022	Fourth Quarter
Revenue	553
Loss and comprehensive loss from continuing operations	(1,223)
Loss and comprehensive loss from discontinued operations	(1,313)
Loss and comprehensive loss	(2,536)
Basic and diluted loss per Share	(0.01)
Weighted average number of Shares outstanding	274,903,419

BALANCE SHEET, FINANCIAL CONDITION AND GOING CONCERN

Cash of $5,759 at September 30, 2024, increased by $2,807 from $2,952 as at December 31, 2023. The increase in cash in the second quarter and third quarter of 2024 was primarily due to the funding received May 30, 2024 and July 19, 2024. Cash is primarily used for the Company's Tigris clinical trial for its PMX treatment for endotoxemic septic shock including data analysis and submission of documentation to the FDA, the EDEN observational study, and for general corporate and working capital purposes.

	September 30, 2024 $	September 30, 2023 $
Net cash used in operating activities	(6,523)	(8,576)
Net cash used in investing activities	(28)	(15)

Net cash provided by financing activities	9,358	5,209
Change in cash	2,807	(3,383)
Cash, beginning of the period	2,952	8,414
Cash, end of period	**5,759**	**5,031**

As described in Note 1 of the condensed interim consolidated financial statements, management has assessed the Company's ability to continue as a going concern and concluded that it is dependent on the successful execution of management's operating and strategic plan, which includes among other things, securing additional financing, the commercialization of its products, the continued financial support of its shareholders and, ultimately, the attainment of future profitable operations. There are no assurances that any of these initiatives will be successful. Factors within and outside the Company's control could have a significant bearing on its ability to obtain additional financing.

The Company's September 30, 2024 condensed interim consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

RELATED PARTIES

1. iDialco Inc. ("iDialco")

   On December 12, 2022, Spectral entered into a joint arrangement with Infomed SA, obtaining 30% interest in iDialco. iDialco developments and manufactures blood purification devices, exclusively focused on commercializing the SAMI and DIMI dialysis devices in the North American markets.

   For the period ended September 30, 2024, the Company invoiced iDialco NIL, of which pertained to passthrough costs, primarily related to employee services rendered

2. Key management consists of the Company's two executive officers and its Board of Directors.

3. Birch Hill

   On July 19th, 2024 Spectral received USD $1,000 in convertible notes payable (the "Notes") upon the Completion of an additional non-brokered offering sold to Birch Hill pursuant to the exercise of their anti-dilution pre-emptive rights relating to the closing of the offering of Notes that was completed on May 30, 2024. The Notes were issued on the same terms and conditions as the May 30, 2024 offering of Notes.

FINANCINGS

1. PRIVATE PLACEMENT CONVERTIBLE NOTES

On May 30th 2024, Spectral received USD $6,232 in convertible notes payable (the "Notes") upon the completion of its private placement. 6,232 Notes were issued and have a face value of USD$1,000 per Note, bearing interest of 9% and are due May 1, 2028 (the "maturity date"). Holders of the notes may convert all or any portion of the Notes into common shares of the Company in integral multiples of USD $1,000 principal amount at any time prior to the maturity date. The notes are convertible into approximately 16,359,000 Common Shares representing a conversion price of approximately CAD$0.52 per share subject to certain anti-dilution and make whole fundamental change adjustments

The Company also issued a number of compensation warrants ("compensation warrants") to the underwriter for the issue on May 30, 2024 representing 6% of the total number of units issued under the Unit Offering, with each Warrant entitling the holder thereof to acquire one Common Share at a price of C$0.45 for a period of 48 months, expiring May 30, 2028

On July 19th, 2024 Spectral received USD $1,000 in convertible notes payable (the "Notes") upon the Completion of an additional non-brokered offering sold to Birch Hill pursuant to the exercise of their anti-dilution pre-emptive rights relating to the closing of the offering of Notes that was completed on May 30, 2024. 1,000 Notes were issued and have a face value of USD$1,000 per Note, bearing interest of 9% and are due May 1, 2028 (the "maturity date"). Holders of the notes may convert all or any portion of the Notes into common shares of the Company in integral multiples of USD $1,000 principal amount at any time prior to the maturity date. The notes are convertible into approximately 2,644,231 Common Shares representing a conversion price of approximately CAD$0.52 per share subject to certain anti-dilution and make whole fundamental change adjustments.

OUTLOOK

The Company's primary focus continues to be working towards obtaining FDA approval of the PMX treatment; and progressing pre-commercialization launch activities for PMX.

TIGRIS

During the third quarter of 2024, the Tigris study continued to experience increased momentum in patient enrollment relative to 2022 and 2023. The Tigris study has 135 patients enrolled and 22 sites at the time of this MD&A. Based on the current rate of enrollment, full Tigris enrollment is projected to be completed in first quarter of 2025.

Key site initiatives include:

- Spectral's clinical team continues to monitor trial site performance, with ongoing active involvement to support Tigris enrollment activity through site visits, training, enrollment workshops and principal investigator roundtables – ultimately to ensure that Tigris sites have the support and resources to enroll patients as efficiently as possible. Additionally, as part of Spectral's trial sites management strategy, the clinical team will assess underperforming sites and determine if these sites can be remediated or not.
- With 15 patients to full target enrollment, the Company has entered the final push to fully enroll and finish the Tigris trial. As such, Spectral's clinical team, along with its regulatory consultants, has initiated regulatory activities to support the Company's anticipated FDA submission for PMX approval.

COMMERCIALIZATION ACTIVITIES

In anticipation of a positive Tigris trial outcome, the Company has been working closely since early 2022 with Baxter, the Company's strategic commercial partner, on post-approval marketing plans for PMX commercialization. This includes collaborating on the PrisMax sub study, and developing product branding, pricing and roll-out plans with numerous Baxter departments, including marketing, regulatory, clinical and reimbursement. Baxter has communicated its intention to undertake a broad marketing campaign on day 1 of FDA approval for PMX.

The Company continues to advance our Tigris trial and remains confident in the outcome of Tigris and our potential for FDA approval. With no approved or cleared treatment on the market to date, The Company believes, if Tigris is successful, we can swiftly move towards FDA submission

BUSINESS RISKS

The Company's operations are exposed to a variety of risk factors inherent in new product development. The Company's short operating history in its new endeavors make prediction of future operating results difficult. Actual future results may differ significantly from those projected in any forward-looking statements. Key business risks for the Company are detailed in its most recent Annual Information Form, which is available at www.sedarplus.com.

RISK MANAGEMENT

1. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk and market risk. The Company's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Company's financial performance.

a. Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially expose the Company to significant credit risk consist of cash, and trade and other receivables.

i. Cash: The Company places its cash with Canadian Schedule I banks.

ii. Trade and other receivables: The Company sells its products to distribution partners in major markets. The credit risk associated with the accounts receivable pursuant to these agreements is evaluated during initial negotiations and on an ongoing basis. There have been no events of default under these agreements. As at September 30, 2024 and 2023, no significant accounts receivable balances were considered impaired.

b. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities as they become due. The Company is exposed to liquidity risk, as it continues to have net cash outflows to support its operations. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to meet commitments and obligations in the most cost effective manner possible.

The Company achieves this by maintaining sufficient cash and managing working capital. The Company monitors its financial resources on a weekly basis and updates its expected use of cash resources on the latest available data.

The Company will need additional capital to fund its clinical and regulatory programs and commercialization of the Toraymyxin™ therapeutic. Potential sources of capital could include

equity and/or debt financings, the collection of revenues resulting from commercialization activities and/or new strategic partnerships.

There can be no assurance that the Company will be able to obtain sufficient capital to meet any or all of the Company's needs. The availability of equity or debt financing will be affected by, among other things, the ability to obtain regulatory approvals, the market acceptance of its products, the state of the capital market generally, strategic alliance agreements and other relevant commercial considerations. In addition, if the Company raised additional funds by issuing equity securities, its existing security holders will likely experience dilution, and any incurrence of additional debt would result in debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on the Company's part to raise additional funds on terms favorable to it, or at all, may require it to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities, the curtailment of its product development programs, the sale or assignment of rights to its technologies and/or products and the inability to file market approval applications at all or in time to competitively market its products.

All of the Company's financial liabilities, except for lease liabilities, contract liabilities and notes payable , are classified as current liabilities. Trade and other payables were $3,003 as at September 30, 2024 ($2,820 - December 31, 2023) which have expected settlement dates within one year.

c. Market Risk

1. Currency risk: The majority of the Company's revenue is denominated in U.S. dollars and Euros. As at September 30, 2024, cash included US$3,622 (December 31, 2023 - US$2,190). Trade and other receivables included a total of US$48 and €45 (December 31, 2023 - US$18 and €0). Trade and other payables included a total of US$543 €Nil, ¥Nil (December 31, 2023 - US$921, €16 and ¥4). There is no active hedging program currently in place due to the relatively short time frame for settlement of these balances.

2. Interest rate risk: The Company has no significant exposure to fluctuations in interest rates.

2. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to safeguard its ability to continue as a going concern and to provide returns for shareholders by ensuring it maintains sufficient levels of cash for working capital and operating purposes, as well as funding to pursue the commercialization efforts of its core products. Capital consists of share capital, contributed surplus, other equity reserves, and deficit. In order to maintain or adjust the capital structure, the Company may issue new Shares from time to time.

CRITICAL ACCOUNTING ESTIMATES

The condensed interim consolidated financial statements of Spectral are prepared in accordance with IFRS Accounting Standards as set out in the CPA Canada Handbook. The Company has identified the material accounting policies and estimates that are critical to the understanding of the Company's operation and financial results in the consolidated financial statements. Certain policies are selected by management and approved by the Finance and Audit Committee of the Board of Directors. These policies are set out in Note 3 (xxvi.) of the consolidated financial statements for the years ended December 31, 2023 and 2022. Certain policies are more significant than others and are, therefore, considered critical accounting estimates. Accounting policies are considered to be critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on the reported results or financial position.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates are related to the accrual estimates made for clinical trial and regulatory program expenses, recognition and measurement of leases, and the assessment of performance obligations for contracts where technology transfers, licensing, manufacturing support and where one or more other goods or services are bundled into a single contract. Actual results could differ from those estimates.

In February 2024, the Company notified Baxter that it had enrolled patient number 90. Subsequently, the Company and Baxter announced an amendment to the initial term of the distribution agreement to 10 years post PMA approval and Baxter exercised its right to maintain its exclusive distribution rights for PMX. Prior to this amendment the company was amortization the contract liabilities based on the agreement end date of December 31, 2029. Post the amendment signed in February 2024, the Company has estimated the end date of the agreement to be June 30, 2036 for amortization of the contract liabilities based on the current patient enrolments.

CONTINGENCIES AND COMMITMENTS

i. The Company has committed to expenditures for its clinical and regulatory program, which are disclosed in Note of the condensed interim consolidated financial statements for the nine-months ended September 30, 2024 and 2023. In addition, the Company is committed to certain future lease payments primarily in connection with the leased premises.

The contractual undiscounted cash flows of the Company's lease liabilities are as follows:

	September 30, 2024 $
Not later than one year	130
Later than one year and not later than five years	450
Total undiscounted lease liability at September 30, 2024	580

In December, 2021 the Company extended its lease term for units 2 and 4 of its offices for an additional five and eight years, expiring August 31, 2027 and September 30, 2030 respectively.

Addendum to the sublease dated October 1, 2020 was signed on September 01, 2023 which reflects a reduction in square footage for a term expiring September 30, 2030.

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ii. Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the costs of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

In the normal course of business, the Company has entered into agreements that include indemnities in favor of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts and license agreements. These indemnification arrangements may sometimes require such third parties to compensate counterparties for losses as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. No accruals have been required to be made as at September 30, 2024 with respect to these agreements.

FINANCIAL INSTRUMENTS AND FAIR VALUES

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized within operating loss in the consolidated statement of loss and comprehensive loss.

The Company has designated the following classifications for its financial assets and financial liabilities:

Cash and trade and other receivables are classified as financial assets at amortized cost with a total carrying value of $6,096 at September 30, 2024 (December 31, 2023 - $3,138)

Trade and other payables are classified as other financial liabilities, which are measured at amortized cost using the effective interest rate method, with a total carrying value of $3,003 at September 30, 2024 (December 31, 2023 - $2,820).

Cash, trade and other receivables, lease liabilities and trade and other payables are reflected in the consolidated financial statements at carrying values that approximate fair values because of the short-term maturities of these financial instruments.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management's responsibility for financial reporting

Disclosure controls and procedures and internal controls over financial reporting

As at September 30, 2024, management has disclosure controls and procedures ("DC&P") that provide reasonable assurance that information required to be disclosed by the Company in its filings under Canadian securities legislation is recorded, processed, summarized and reported in a timely manner. The system of DC&P includes, among other things, the Company's Corporate Disclosure and Whistleblower policies and Code of Conduct, the review and approval procedures of the Disclosure Committee and continuous review and monitoring procedures by senior management.

As at September 30, 2024, management has designed internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS Accounting Standards. These controls were designed based on the framework established by Internal Control - Integrated Framework: 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Due to its inherent limitations, ICFR may not prevent or detect misstatements. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, even effective ICFR can only provide reasonable, not absolute, assurance of achieving the control objectives for financial reporting.

Changes in internal controls over financial reporting

There have been no changes to the Company's internal controls over financial reporting during the nine months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.
An evaluation of the design and effectiveness of the Company's DC&P and ICFR has been conducted by management, under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO have concluded that, as of December 31, 2023, the Company's disclosure controls and procedures and internal control over financial reporting, as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are operating effectively.