

SPECTROS UPDATE

1. Marketing efforts continue for T-Stat®, which is now selling at \$750,000/annualized.

The company is seeking a paid medical salesperson to join Spectros, to drive sales at a faster rate. We aim to increase this to \$3 million per year by the close of 2006.

2. Colon surgery trials continue in Holland. The aim is to decrease the rate of surgery site breakdown for surgery to the gut, a condition which results in colon contents spilling into the abdomen, requiring months of antibiotics and hospitalization. Such leakage occurs in 5-14% of surgeries, depending on the surgery. **Success in these trials would increase the Spectros TStat ® market size by 5-fold.**

3. US Government grants \$2.5 million to Spectros to develop cancer-detection systems a cancer imaging product. This award was expected, and fulfills the key milestone for the recent Series A second-tranche funding. Spectros has additional awards under preparation or review for award consideration at the National Cancer Institute, for a total of over \$5 million in additional funding (divided over three years) to be determined over the next 12 months.

4. Third Market: Early Breast Cancer Detection identified as market after colon surgery. A key aspect of the Series A funding for Spectros was the exploration of markets for the proprietary optical technologies. The first expansion market was the colon surgery market, expected to involve 350,000 patients per year in the U.S.

A new, larger market has been identified – the early detection of breast cancer, the size of the product-specific breast cancer diagnostic market would be expected to exceed \$1 billion per year in the U.S. alone.