

Spectra Inc.

Interim Consolidated Financial Statements

September 30, 2007

(Unaudited – See notice of no auditor review)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited financial statements of Spectra Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Spectra Inc.
Consolidated Balance Sheet
September 30, 2007

	September 30 2007	December 31 2006
Assets		
Current assets:		
Cash	\$ 112,761	\$ 7,885
Accounts receivable	108,175	74,136
Inventories (notes 1 & 3)	183,777	80,223
Prepaid expenses	<u>23,166</u>	<u>13,222</u>
	<u>427,879</u>	<u>175,466</u>
Capital assets:		
Capital assets, at cost (notes 1 & 4)	187,221	177,388
Less : accumulated amortization	<u>107,287</u>	<u>104,860</u>
	<u>79,934</u>	<u>72,528</u>
Other assets:		
Other assets, at cost (notes 1 & 5)	499,746	1,168,927
Less : accumulated amortization	<u>217,344</u>	<u>953,502</u>
	<u>282,402</u>	<u>215,425</u>
Total assets	\$ <u>790,215</u>	\$ <u>463,419</u>

Prepared without audit
See the accompanying notes

Spectra Inc.
Consolidated Balance Sheet
September 30, 2007

	September 30	December 31
	<u>2007</u>	<u>2006</u>
Liabilities		
Current liabilities:		
Current portion of long-term liabilities (note 6)	\$ 25,000	\$ 26,073
Accounts payable and accrued liabilities	<u>1,187,712</u>	<u>1,429,742</u>
	<u>1,212,712</u>	<u>1,455,815</u>
Long-term liabilities (note 6)	<u>914,269</u>	<u>1,048,560</u>
Total liabilities	<u>2,126,981</u>	<u>2,504,375</u>

Shareholders' equity (deficiency)

Capital account (note 7)		
Authorized – unlimited common and preference shares		
Issued capital equity	5,666,910	4,401,323
Retained earnings (deficit)	<u>(7,003,676)</u>	<u>(6,442,279)</u>
	<u>(1,336,766)</u>	<u>(2,040,956)</u>
Total liabilities and shareholders' equity (deficiency)	\$ <u>790,215</u>	\$ <u>463,419</u>

Approved by the Board

_____ **Director**

_____ **Director**

Prepared without audit
See the accompanying notes

Spectra Inc.
Consolidated Statement of Operations and Deficit

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Sales	\$ 184,731	\$ 207,369	\$ 539,265	\$ 623,690
Cost of sales	<u>77,188</u>	<u>81,128</u>	<u>249,740</u>	<u>284,778</u>
Gross profit	<u>107,543</u>	<u>126,241</u>	<u>289,525</u>	<u>338,912</u>
Selling and administrative expenses				
Advertising	307	305	987	1,107
Selling expenses	41,141	12,215	73,305	52,446
Professional fees				
- legal	11,871	(4,345)	71,915	2,494
- audit and accounting	6,250	-	33,187	16,214
- trustee and filing fees	(6,689)	1,309	10,523	18,754
Investor relations	-	-	25,000	-
Financing fees	-	-	16,225	-
Office and general	23,532	13,473	54,313	41,146
Premises	14,096	13,867	44,578	44,039
Subcontract labour	16,048	16,440	51,668	52,060
Interest and bank charges				
- long-term debt	8,901	15,482	37,450	45,262
- bank charges and other	388	676	1,317	2,030
Administration	67,900	-	222,532	75,000
Stock based compensation	-	-	99,087	9,359
Debt carrying value adjustment	1,344	0	(567)	0
Consultants	-	8,999	24,000	27,973
Commission	6,140	4,623	16,331	15,180
Debenture royalty	18,750	20,657	56,250	64,506
Royalties	1,510	-	3,628	-
Bad debts	-	-	408	-
ISO registration	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>1,700</u>
	211,489	103,701	844,837	469,270
Amortization (notes 4 & 5)				
- capital assets	938	2,485	3,298	5,006
- other assets	<u>16,812</u>	<u>30,318</u>	<u>34,608</u>	<u>90,533</u>
	<u>229,239</u>	<u>136,504</u>	<u>882,743</u>	<u>564,809</u>
Net loss from operations	(121,696)	(10,263)	(593,218)	(225,897)
Deficit, beginning of period	(6,881,980)	(6,159,446)	(6,442,279)	(5,943,812)
Adjustment for fair value of long-term liabilities (note 7)	<u>0</u>	<u>0</u>	<u>31,821</u>	<u>0</u>
	(6,881,980)	(6,159,446)	(6,410,458)	(5,943,812)
Deficit, end of period	<u>\$(7,003,676)</u>	<u>\$(6,169,709)</u>	<u>\$(7,003,676)</u>	<u>\$(6,169,709)</u>
Earnings (loss) per share (7 & 9)				
Basic	(0.03)	(0.000)	(0.013)	(0.006)

Prepared without audit
See accompanying notes

Spectra Inc.
Consolidated Statement of Cash Flow

	Three months ended		Nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Operating activities:				
Net loss	\$ (112,162)	\$ 5,729	\$ (558,957)	\$ (179,126)
Fair value adjustment	(1,344)	0	567	0
Interest earned	2,056	68	2,056	188
Interest paid	(8,901)	(16,060)	(37,450)	(46,959)
Amortization	<u>17,750</u>	<u>32,163</u>	<u>37,906</u>	<u>95,539</u>
	(102,601)	21,900	(555,878)	(130,358)
Decrease (increase) in accounts receivable	(59,041)	140,983	(34,039)	6,150
Decrease (increase) in inventory	(64,107)	1,421	(103,554)	10,770
Decrease (increase) in prepaid expenses	(2,284)	3,917	(9,944)	19,623
Increase (decrease) in accounts payable	<u>(78,282)</u>	<u>(157,607)</u>	<u>(243,103)</u>	<u>37,779</u>
Cash from (to) operations	<u>(306,315)</u>	<u>10,614</u>	<u>(946,518)</u>	<u>(56,036)</u>
Investment activities:				
Increase in capital assets	-	(9,325)	(11,060)	(9,325)
Increase in other assets	<u>(22,301)</u>	<u>(6,773)</u>	<u>(154,800)</u>	<u>(19,823)</u>
	<u>(22,301)</u>	<u>(16,098)</u>	<u>(165,860)</u>	<u>(29,148)</u>
Financing activities:				
Increase (decrease) in other loans	5,953	1,841	(48,333)	4,506
Stock-based compensation	-	-	99,087	9,359
Issuance of share capital	<u>-</u>	<u>4,945</u>	<u>1,166,500</u>	<u>78,500</u>
	<u>5,953</u>	<u>6,786</u>	<u>1,217,254</u>	<u>92,365</u>
Change in cash balances	(322,663)	1,302	104,876	7,181
Cash balances, beginning of period	<u>435,424</u>	<u>10,322</u>	<u>7,885</u>	<u>4,443</u>
Cash balances, end of period	\$ <u>112,761</u>	\$ <u>11,624</u>	\$ <u>112,761</u>	\$ <u>11,624</u>

Prepared without audit
See the accompanying notes

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

1. Nature of business and basis of presentation:

Nature of business –

Spectra Inc. (the "Company") is a manufacturing and marketing company incorporated under the laws of the Province of Alberta on October 4, 1994. The Company operates in one market segment being bus and truck transportation safety equipment. The Company manufactures brake monitoring equipment as an after market product and sells through transportation dealers and distributors as well as directly to fleet operators.

Basis of presentation –

These financial statements have been prepared on a going concern basis which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

The Company has experienced operating losses and at September 30, 2007 has a working capital deficiency of \$784,833 (December 31, 2006 - \$1,280,349). The Company's ability to continue operations is dependent on its' ability to achieve profitability, maintain current financing and obtain new sources of financing. The outcome of these matters cannot be predicted at this time. The financial statements do not include any adjustment to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

Currency –

All amounts are stated in Canadian dollars.

2. Significant accounting policies:

The management of Spectra Inc. has prepared these interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Disclosure in the interim financial statements does not conform in all respects to the requirements of GAAP for annual statements in that these statements have not been audited. These statements follow the same accounting policies and methods of application as the annual financial statements for the twelve month period ended December 31, 2006. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2006. The Company follows accounting policies generally accepted in Canada.

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

2. Significant accounting policies (continued):

The following is a summary of significant accounting policies used in the preparation of these financial statements:

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Spectra Products Inc. All significant inter-company balances and transactions have been eliminated on consolidation.

Change in accounting policies:

(a) Financial instruments

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*". Under this standard, financial assets available for sale and financial assets and liabilities held for trading must be measured at fair value and loans and receivables, investments held to maturity and other financial liabilities must be measured at amortized cost. In relation to this policy: cash is classified as a financial asset held for trading and is initially measured at fair value, accounts receivable is classified as a receivable and is initially measured at fair value, accounts payable and accrued liabilities are classified as financial liabilities held for trading and are initially measured at fair value, and long-term liabilities are classified as other financial liabilities and are initially measured at fair value and, subsequently, at amortized cost using the effective interest rate method. On January 1, 2007, we made the following transitional adjustments to our consolidated balance sheet to adopt the new standards:

On January 1, 2007, we made the following adjustments, applied to our consolidated balance sheet, to comply with the new standards:

	Increase (decrease)
Other assets (now offset against long-term debt)	(55,850)
Opening deficit	(31,821)
Long-term liabilities	(87,671)

As at ended September 30, 2007, the following cumulative adjustments were also made as a result of this change in accounting policies:

	Increase (decrease)
Other assets (now offset against long-term debt)	(53,570)
Opening deficit	(31,821)
Current period earnings	(1,344)
Long-term liabilities	(85,958)

Spectra Inc.
Notes to Consolidated Financial Statements
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2. Significant accounting policies (continued):

(b) Accounting changes

On January 1, 2007, the Company adopted the CICA Handbook Section 1506, "Accounting Changes". This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure changes in accounting policies and estimates and correction of errors. The adoption of this standard had no impact on the interim financial statements for the period ended September 30, 2007.

Financial instruments

(a) CICA 3855, "Financial Instruments – Recognition and Measurement"

This standard prescribes when a financial assets, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether the fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains or losses are to be presented. Effective January 1, 2007 the company reclassified its financial instruments as loans and receivables, as they are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on specified date or dates, or on demand with interest. They are to be recorded at cost or amortized cost, subject to impairment reviews. All financial instruments are now recorded at fair value. Also, all transaction costs are offset against the corresponding long-term liability. This reclassification had no impact on the financial statements. The company has also preformed a review of derivatives and it has none. Accordingly there is no impact in these financial statements.

(b) CICA 3865 "Hedges"

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13 "Hedging Relationships" and CICA 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company has not had and does not now have any hedging relationships.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

2. Significant accounting policies (continued):

Stock based compensation:

Executives and certain senior managers of the Company participate in the stock-based compensation plan, as described in note 7. The Company has adopted the recommendations of the CICA section 3870, "Stock-based Compensation and Other Stock-based Payments". These recommendations require that compensation of all equity based awards made to employees and non-employees be measured and recorded in the consolidated financial statements at fair value. The fair value of stock-based compensation is determined using the Black-Scholes options pricing model. The resulting value is charged against income over the vesting periods of the option. The Company values options based on the trading price of the Company's common shares on the date of the grant.

Inventories:

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Cost consists of raw material and direct labour.

Capital assets:

Capital assets are carried at cost. Amortization is provided over the estimated useful life of the asset as follows:

Dies and molds –	units of production method
Furniture and fixtures –	20% declining balance method
Computer equipment –	30% declining balance method
Plant equipment –	20% declining balance method

Annually, or more frequently as circumstances require, such as a decrease in sales prices or an increase in operating costs, reviews are undertaken to evaluate the carrying values of capital assets. Effective January 1, 2004, to evaluate impairment, the Company prospectively adopted the requirements of CICA 3063 "Impairment of Long-lived Assets". If it is determined that the future cash flows from an asset are less than its carrying value, a write-down to the estimated fair value is made with a charge to earnings. Adoption of CICA 3063 had no effect on these financial statements.

The Company's estimate of future cash flows is subject to risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of the Company's investment in capital assets.

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

2. Significant accounting policies (continued):

Other assets:

Other assets are carried at cost. Amortization is provided over the estimated useful life of the asset as follows:

Patents and product rights –	Straight line over the term of the asset.
Prototypes –	Straight line over 3 years
Finance fee –	Straight line over term of debenture
Prepaid royalty –	Straight line over original term of royalty agreement

Revenue recognition:

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or the services have been rendered, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to the customer at the time of delivery of the product to a common carrier. Revenue is recognized on delivery provided that the fulfillment of acceptance criteria can be demonstrated prior to shipment.

Financial instruments:

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and loans payable. Unless otherwise stated, the fair value of the financial instruments approximates their carrying value.

Earnings per share:

Basic earnings per share are calculated based on the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method based on the weighted average number of shares that would have been outstanding during the year had all the dilutive options been exercised at the beginning of the year, or date of issuance if later, and assuming that option proceeds would be used to purchase common shares at the average market price during the year. As of each period end there were no dilutive common equivalent shares.

3. Inventories:

Inventories consisted of:

	September 30 2007	December 31 2006
Finished product	\$ 14,387	\$ 7,678
Raw materials	<u>169,390</u>	<u>72,545</u>
	\$ <u>183,777</u>	\$ <u>80,223</u>

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

4. Capital assets:

Capital assets consist of:

	September 30, 2007			December 31 2006
	Cost	Accumulated amortization	Net	Net
Dies and molds	\$ 120,077	\$ 50,752	\$ 69,325	\$ 59,519
Furniture and fixtures	24,731	21,497	3,234	3,805
Computer equipment	11,841	10,351	1,490	2,278
Plant equipment	<u>30,572</u>	<u>24,687</u>	<u>5,885</u>	<u>6,926</u>
	<u>\$ 187,221</u>	<u>\$ 107,287</u>	<u>\$ 79,934</u>	<u>\$ 72,528</u>

Amortization of capital assets consists of:

	September 30 2007	September 30 2006
Dies and molds	\$ 1,256	\$ 2,834
Furniture and fixtures	571	679
Computer equipment	432	625
Plant equipment	<u>1,039</u>	<u>868</u>
	<u>\$ 3,298</u>	<u>\$ 5,006</u>

5. Other assets:

Other assets include development costs which have been deferred and will be charged to future operations. Other assets consist of:

	September 30, 2007			December 31 2006
	Cost	Accumulated amortization	Net	Net
Patent	\$ 41,340	\$ 39,971	\$ 1,369	\$ 500
Product rights	43,000	18,476	24,524	1,800
Prototype	167,906	122,354	45,552	30,303
Debenture finance fee	68,388	14,818	53,570	56,990
Debenture royalty	150,000	31,668	118,332	125,832
DVOF loan bonus	<u>97,500</u>	<u>4,875</u>	<u>92,625</u>	<u>-</u>
	568,134	232,162	335,972	215,425
Offset of Debenture finance fee against long-term liabilities	<u>(68,388)</u>	<u>(14,818)</u>	<u>(53,570)</u>	<u>0</u>
	<u>\$ 499,746</u>	<u>\$ 217,344</u>	<u>\$ 282,402</u>	<u>\$ 215,425</u>

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

5. Other assets (continued):

Amortization of other assets consists of:

	September 30 2007	September 30 2006
Patent	\$ 242	\$ 1,914
Product rights	2,276	1,350
Prototype	16,347	31,404
Debenture finance fee	3,419	
Debenture royalty	7,448	55,865
DVOF loan bonus	<u>4,876</u>	<u>-</u>
	\$ <u>34,608</u>	\$ <u>90,533</u>

6. Long-term liabilities:

Long-term liabilities consist of:

	September 30 2007	December 31 2006
Loans payable to management	\$ 354,031	\$ 383,614
Less : Carrying value adjustment	<u>(6,379)</u>	<u>0</u>
	<u>347,652</u>	<u>383,614</u>
TD Canada Trust bank loan	<u>0</u>	<u>1,073</u>
Dynamic Venture Opportunities Fund debenture	671,196	689,946
Less : Carrying value adjustment	(26,009)	0
: Offset of deferred charges	<u>(53,570)</u>	<u>0</u>
	<u>591,617</u>	<u>689,946</u>
	939,269	1,074,633
Less: Current portion	<u>25,000</u>	<u>26,073</u>
	<u>\$914,269</u>	<u>\$1,048,560</u>

Loans payable to management

Loans from management total \$354,031 and bear interest at 9.0% per annum. These loans are secured with a general security agreement including a fixed charge on the Schandelmeir patent. The management loans are repayable 366 days after demand.

Pursuant to the new accounting standard for Financial Instruments, the carrying value of these loans has been reduced by \$6,379, for presentation purposes only.

Spectra Inc.
Notes to Consolidated Financial Statements
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6. Long-term liabilities (continued):

Dynamic Venture Opportunities Fund debenture

On August 6, 2004 Spectra Inc. closed a debenture financing arrangement with Dynamic Venture Opportunities Fund Ltd. ("DVOF"), an Ontario labour-sponsored venture capital fund, whereby DVOF advanced \$750,000 to Spectra's wholly-owned subsidiary, Spectra Products Inc. ("SPI"). In consideration of the advance of these funds, DVOF is entitled to receive blended principal and royalty payments equal to the greater of \$100,000 per annum or 10% of the total annual gross revenue generated by SPI. Twenty-five percent of each royalty payment shall be allocated against the principal amount of the debenture. The royalty payment shall continue on this basis until the earlier of either (i) the date that the debenture has been fully repaid or (ii) 15 years from the issue date at which time any remaining principal amount shall be due. As additional consideration, the Company issued 3,000,000 bonus shares to DVOF at a deemed price of \$0.05 per share, representing a deemed value equal to 20% of the \$750,000 invested. The principal balance owing on the debenture as of September 30, 2007 is \$671,196.

The minimum blended principal and royalty payments due in each of the next five years is as follows:

2007	\$ 100,000
2008	\$ 100,000
2009	\$ 100,000
2010	\$ 100,000
2011	\$ 100,000

Pursuant to the new accounting standard for Financial Instruments, the carrying value of this debt has been reduced by \$26,009, for presentation purposes only. In addition, also for presentation purposes only, the value of deferred charges in connection with this debt, \$53,750 as at September 30, 2007, has also been offset against its carrying value.

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

7. Capital account

Share capital

Authorized share capital:

- Unlimited number of common voting shares
- Unlimited number of first preferred shares
- Unlimited number of second preferred shares
- Unlimited number of third preferred shares
- Unlimited number of fourth preferred shares

Issued share capital:

	September 30 2007	December 31 2006
46,881,837 (2006 - 39,536,837) common shares	\$4,756,439	\$4,339,939
90,000 (2006 – 90,000) second preferred shares	27,000	27,000
750 (2006 – 0) convertible preferred shares issued by Spectra Products Inc	750,000	
Warrants	85,236	9,949
Stock-based compensation equity	\$ 48,235	\$ 24,435
	<u>\$5,666,910</u>	<u>\$4,401,323</u>

The continuity of common shares issued is:

	<u>#</u>	<u>\$</u>
Issued as at December 31, 2005	35,966,837	4,176,098
Issued during 2006	<u>3,570,000</u>	<u>163,841</u>
Issued as at December 31, 2006	39,536,837	4,339,939
Issued during 2007	<u>7,345,000</u>	<u>416,500</u>
Issued as at September 30, 2007	<u>46,881,837</u>	<u>4,756,439</u>

Stock options

The company has a stock option plan that permits the granting of options to directors, officers, employees and consultants. This plan provides for the grant of a maximum number of options equal to ten percent of issued and outstanding common shares issued. The options have a maximum term of five years and are fully vested at the date of grant. There were 1,500,000 options granted in the second quarter of 2007.

expiry date	number of options	exercise price
February 3, 2008	450,000	\$0.10
September 5, 2009	350,000	\$0.10
August 31, 2010	950,000	\$0.10
November 10, 2010	125,000	\$0.10
September 5, 2012	1,150,000	\$0.10
Total number of options	3,025,000	\$0.10*

* Weighted average exercise price

Spectra Inc.
Notes to Consolidated Financial Statements
September 30, 2007

7. Capital account (continued):

Private placement – May 28, 2007:

On May 28, 2007, the Company closed a non-brokered private of 4,745,000 units at a price of \$0.05 per unit for gross proceeds of \$237,250. Each unit is comprised of one common share at a deemed price of \$0.05 per share and one non-transferable warrant. Each warrant is redeemable until May 29, 2009 and entitles the holder, for a period of 24 months from closing, to purchase one additional common share of the Company at a price of \$0.10 per share. The Company issued 4,745,000 common shares regarding this transaction and the warrants are valued at \$75,287 using the Black-Scholes evaluation method.

Private placement – June 1, 2007:

On June 1, 2007, the Company's wholly owned subsidiary, Spectra Products Inc. ("SPI") completed a \$750,000 private placement with Dynamic Venture Opportunities Fund Ltd. ("DVOF"), an Ontario labour-sponsored venture capital fund. SPI issued 750 convertible preferred shares at a deemed value of \$1,000 per share (the "Shares") to DVOF. The Shares will pay a 6 percent annual dividend, commencing January 1, 2009 and are convertible into a 25% equity issue of common shares of SPI. DVOF has received a warrant to subscribe to additional convertible preferred shares, exercisable until June 30, 2008. By exercising the warrant and converting the convertible preference shares, DVOF could increase its' equity position in common shares by an additional 15%. As additional consideration, the Company issued 1,500,000 bonus shares to DVOF at a deemed price of \$0.065 per share,

Warrants:

The details of outstanding warrants are as follows:

Common shares of Spectra Inc.

expiry date	number of warrants	exercise price
June 29, 2008	1,570,000	\$0.10
May 27, 2009	4,745,000	\$0.10
Total number of warrants	6,315,000	\$0.10*

* Weighted average exercise price

Convertible preference shares of Spectra Products Inc.

expiry date	number of warrants	exercise price
June 30, 2008	750	\$1,000.00
Total number of warrants	750	\$1,000.00*

* Weighted average exercise price

Spectra Inc.
Notes to Consolidated Financial Statements
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8. Income taxes

The Company and its' wholly owned subsidiary have income tax losses, available for carry forward, of \$3,995,611. Losses expire as follows:

2007	\$ 373,125
2008	583,363
2009	526,948
2010	643,521
2014	452,556
2015	407,861
2026	452,359
2027	<u>555,878</u>
	<u>\$3,995,611</u>

The potential benefit of these losses has not been recognized in these financial statements.

9. Earnings per share

Earnings per share for the full last fiscal year are as follows:

	<u>2006</u>
Earnings (loss) per share (basic)	\$ (0.01)
Earnings (loss) per share (fully diluted)	\$ (0.01)

10. Commitments

The Company is obligated under an operating lease for premises until February 28, 2010 as follows:

2007 (last quarter)	\$ 13,228
2008	52,909
2009	52,909
2010 (two months)	<u>8,818</u>
	<u>\$ 127,864</u>