

Spectra Inc.

Management Discussion and Analysis

Annual and Fourth Quarter Ending December 31, 2005

April 30, 2004

Description of Business

Spectra Inc is a vertically integrated supplier of innovative products and services to the Commercial Transportation Industry and the Professional Trucker. Spectra's product lines increase productivity, reduce maintenance costs and improve fleet safety. Products include Brake Safe[®] and SureStroke[™] visual brake stroke indicators, Brake Inspector[®], an electronic stroke indicator and air brake diagnostic system and the Termin-8R[®] line of anti-corrosion and extreme pressure lubricants. Spectra currently has several new products under development for the Transportation Industry including an anti-theft air brake locking system and a vehicle tracking and telematics system.

Discussion of Operations and Financial Performance

The following is a summary of the variations in the Corporation's operating results for the periods indicated:

Twelve Months Ended December 31, 2003 Compared to Twelve Months Ended December 31, 2002.

Revenues

Revenues during the twelve month period ending December 31, 2003 were \$445,052 compared to \$434,884 in 2002. Revenues in 2003 represented a 2.3 percent increase from 2002.

Heavy duty parts sales to the transportation industry remain sluggish in the U.S. market due to the continuing industry downturn and higher costs of fleet operation, particularly insurance costs. A return to revenue growth for the Company is anticipated in 2004 as the North American economy strengthens and truck safety enforcement in the United States increases and creates momentum for sales growth of the SureStroke[™] product line. The successful introduction of the Brake Inspector[®] product line to the transportation industry will have a positive impact on revenue growth as sales momentum increases in the trucking and transit sectors.

Expenses

Selling, general and administrative expenses during the 12 month period ending December 31, 2003 totaled \$902,686 compared to \$956,019 in 2002, an decrease of 5.6 percent. This expense decrease was primarily the result of decreases in management fees, consulting fees, subcontract labour and product development expenses. Decreases in these areas were offset by increases in interest and financing fees, royalties and amortization expense compared to the same period in 2002. Expenses directly resulting from product sales accounted for 25.0 percent of total expenses or \$225,878 and included sales commissions of \$31,900, royalty payments of \$112,558 and sales related costs of \$81,420. Legal, Accounting and Professional Fees accounted for 6.3 percent of total expenses or \$57,074 and were comprised of \$9,749 legal, \$25,000 accounting and \$22,325 professional fees. Management fees totaled \$165,000 or 18.3 percent of costs. Subcontract Labour expenses were \$108,250 representing 12.0 percent of total expenses. Product Development expenses and development related third party Consulting fees for the Brake Inspector[®] product line totaled \$22,336 representing 2.5 percent of costs. Amortization expense of \$155,724 accounted for 17.3 percent of total period expenses. Office and Rent costs totaled \$98,025 or 10.9 percent of 2002 expenses. Interest and Financing fees accounted for \$68,114 representing 7.5 percent of total expenses.

Net Profit

Net Losses during the twelve month period ending December 31, 2003 totaled \$658,856 compared to a net loss of \$677,105 during the same period in 2002.

Assets

Total assets at December 31, 2003 were \$424,916 compared to \$547,736 for the same period in 2002.

Long term Liabilities

The Corporation had long-term liabilities at December 31, 2003 of \$624,664 compared to \$596,982 long-term liabilities for the same period ending 2002.

Shareholders Equity

The Corporation had Shareholders deficiency of \$(1,074,212) at December 31, 2003 compared to a Shareholders deficiency of \$(494,106) for the same period ending 2002.

Working Capital

The Corporation's working capital was \$(707,306) ending December 31, 2003 compared to \$(240,664) at the end of December 2002.

The Corporation plans to raise additional working capital through a series of private placements involving a combination of equity and convertible debt to expand its sales force and sales activities, to complete new product development and to acquire inventory. The Corporation continues to manage its cash flow to meet supplier terms and obligations.

Related Party Transactions

There were no related party transactions.

Summary of Securities Issued

During the period January 1, 2003 to December 31, 2003 the Corporation issued 700,000 common shares as follows:

	<u>Date</u>	<u>Quantity</u>	<u>Price</u>	<u>Proceeds / Consideration</u>	<u>Issue Type</u>
•	February 18	25,000	\$0.10	\$ 25,000	Exercise Options
•	February 18	150,000	\$0.15	\$ 22,500	Exercise Options
•	March 28	25,000	\$0.15	\$ 3,750	Exercise Options
•	September 18	500,000	\$0.10	\$ 50,000	Private Placement

Summary of Options Granted

During the period January 1, 2003 to December 31, 2003 the following options were granted:

	<u>Date</u>	<u>Optionee</u>	<u>Quantity</u>	<u>Price</u>	<u>Expiry</u>
•	March 3	Dawn Dorey	100,000	\$0.10	03/02/08
•	March 3	Terry Faye	50,000	\$0.10	03/07/08
•	March 3	Luanda Technologies	100,000	\$0.10	03/03/05
•	March 3	752657 Alberta Ltd.	350,000	\$0.10	03/03/05
•	March 3	Andrew Malion	350,000	\$0.10	03/03/08
•	March 3	Michael Faye	350,000	\$0.10	03/03/08
•	December 14	Brain Hay	50,000	\$0.10	03/03/05

Summary of Securities**a) Authorized Share Capital**

Unlimited number of voting common shares and non-voting preferred shares.

b) Issued and Outstanding

29,916,837 common shares for \$3,821,098; 90,000 Spectra preferred shares for \$27,000

c) Convertible Securities Outstanding

The Corporation at December 30, 2003 had 2,250,000 options outstanding.

- 50,000 options @ \$0.10 expiring 12/04/04
- 450,000 options @ \$0.10 expiring 03/03/05
- 850,000 options @ \$0.10 expiring 03/03/08
- 175,000 options @ \$0.16 expiring 10/11/05
- 175,000 options @ \$0.20 expiring 01/07/07
- 300,000 options @ \$0.20 expiring 01/15/07
- 250,000 options @ \$0.25 expiring 01/10/06

d) Escrow Shares

The Corporation has a total of 5,596,260 common shares held in escrow.

Directors and Officers

Michael Faye – President and Director

Andrew Malion – Vice President and Director

Bill Fiorillo – Director

Tony Malfara – Director

Ifor Davies - Director

SCHEDULE C
MANAGEMENT'S DISCUSSION AND ANALYSIS