

Spectra Inc.

Management Discussion and Analysis

Third Quarter Ending September 30, 2006

November 29, 2006

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The following Management Discussion and Analysis is supplementary to, and should be read in conjunction with the interim financial statements for the period ended September 30, 2006. The consolidated financial statements are unaudited and 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. Management has prepared the interim financial statements in accordance with generally accepted accounting principles ("GAAP") in Canada and all amounts, unless otherwise indicated, are expressed in Canadian dollars.

Description of Business

Spectra Inc., through its wholly owned subsidiary, Spectra Products Inc., supplies products to the transportation industry. The current product line includes a visual brake stroke indicator, Brake Safe[®], that permits vehicle drivers and maintenance personnel to visually determine the brake adjustment condition of a truck, trailer or bus equipped with an air activated brake system. The Company's electronic version of Brake Safe[®], is an air brake diagnostic system called Brake Inspector[®]. This product provides an in-cab display of air brake status and permits diagnosis of various existing and potential brake problems with the foundation brakes of trucks, trailers and buses. The Company also supplies an anti-corrosion lubricant called Termin-8r[™] to the transportation industry.

Spectra Inc. contracts the manufacture of Brake Safe[®] and Brake Inspector[®] products to third parties and receives the product components for select subassembly and packaging. The Termin-8r[™] product line is blended, packaged and shipped to the Company ready for shipping to end users.

Spectra's products are sold to the transportation industry directly to "house account" fleets; through traditional transportation distributors and truck/trailer dealerships; and to several trailer manufacturers.

Financial Results

Selected Financial Information

Quarterly Data

The table below sets forth certain un-audited information for each of the eight most recent quarters, the most recent quarter being September 30, 2006.

QUARTERLY DATA

Canadian Dollars	Three month period ending:							
	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Revenue	207,369	271,982	144,339	185,997	146,344	216,313	164,355	212,584
Gross Profit	126,241	128,654	84,017	80,543	93,404	133,061	87,925	148,519
SG&A Expenses	136,504	271,299	157,006	340,467	158,718	251,697	155,973	389,459

Loss for the period	(10,263)	(142,645)	(72,989)	(259,924)	(65,314)	(118,636)	(68,048)	(240,940)
Loss per share (basic & diluted)	(.000)	(.004)	(.002)	(.007)	(.002)	(.003)	(.002)	(.007)

Seasonality:

The Company's sales reflect a marginal sales trend with the weakest sales quarter occurring in the January through March period, representing on average about 20 percent of annual sales. The strongest sales quarter, March through June accounts for approximately 29 percent of total sales.

Results of Operations

Revenues:

Three months ended September 30, 2006

Revenue for the three months ended September 30, 2006 increased by 42% to 207,369 compared to revenue of \$146,344 for the three month period ended September 30, 2005. The increase in revenue is attributable to increased sales of the Brake Safe[®] product, 22% higher than sales in 2005, increased Brake Inspector[®] sales, up 155 percent versus 2005 and Termin-8r[™] sales exceeding the 2005 period by 34 percent.

During the three month period ended September 30, 2006, Brake Safe[®] revenues were \$25,991 higher than the same period in 2005. The increase resulted from 22 percent higher unit sales.

Brake Safe[®] sales during the three month period ended September 30, 2006 reflect a stronger than typical seasonal sales that did not occur in the three month period ending September 30, 2005. Annualized sales should continue to reflect the general transportation aftermarket parts growth resulting from the improved economy in North America and increased business for the trucking industry. The Canadian market accounts for most of the Brake Safe[®] sales. As roadside enforcement and fines are increased in the United States, management believes sales of the Brake Safe[®] product will show significant growth.

Brake Inspector[®] revenues during the three month period ending September 30, 2006 exceeded revenues during the same period in 2005 by \$27,146 or 155 percent. Unit sales of Brake Inspector[®] were 160 percent higher during the three month period of 2006 compared to the same period in 2005.

Termin-8r[™] sales in the three month period ending September 30, 2006 were \$3,660 or 34 percent higher than the equivalent period in 2005. Unit sales for the period exceeded the equivalent period in 2005 by 31 percent.

Licensing fees for the three month period ending September 30, 2006 generated \$4,650 compared to no fees in 2005.

Nine months ended September 30, 2006

Revenue for the nine months ended September 30, 2006 increased by 18% to \$623,690 compared to revenue of \$527,012 for the nine month period ended September 30, 2005. The increase in revenue is attributable to 5 percent more revenue from sales of the Brake Safe[®] product, 89 percent increased sales of Brake Inspector[®] and 36 percent more revenue from Termin-8r[™] sales.

During the nine month period ended September 30, 2006, Brake Safe[®] revenues were \$21,354 higher than the same period in 2005.

Brake Inspector[®] revenues during the nine month period ending September 30, 2006 exceeded revenues during the same period in 2005 by \$75,878. Brake Inspector[®] is in the early stage of product introduction and has a small customer base. For this reason quarterly sales will fluctuate depending on the timing of existing and new customer orders and the scheduling of vehicle production/deliveries.

The Company expects to experience considerable variances quarter to quarter as new fleets proceed from a trial of the product to equipping all fleet vehicles. Product sales are currently limited to standalone vehicles, i.e. trucks and buses. The Company has completed beta trials of the stand-alone digital truck system and the stand-alone trailer system and is scheduling production of the digital system during the first quarter of 2007. The Company is currently in beta trials on its truck-trailer system utilizing a digital, PLC based transmission of brake data with commercial production expected in the second quarter of 2007. These two additional product lines are expected to generate sales growth commencing during 2007.

Termin-8r[™] sales in the nine month period ending September 30, 2006 were \$13,390 higher than the equivalent period in 2005.

The company is currently selling its anti-corrosion line of Termin-8r[™] products to the transportation industry directly to several fleet users and through its dealer/distributor network. The Company plans to maintain its current customer base and slowly expand sales distribution after the Brake Inspector[®] product is fully launched into the North American marketplace.

Licensing fees for the nine month period ending September 30, 2006 generated \$10,660 compared to no fees in 2005.

Gross Profit**Three months ended September 30, 2006**

Gross profit increased by \$32,837 for the three months ended September 30, 2006 to \$126,241 or 61 percent of revenue from \$93,404 or 64 percent of revenue for the three months ended September 30, 2005. The increase in gross profit is attributable to increased sales of Brake Safe[®], Brake Inspector[®] and Termin-8r[™] during the period.

Nine months ended September 30, 2006

Gross profit increased by \$24,522 for the nine months ended September 30, 2006 to \$338,912 or 54 percent of revenue from \$314,390 or 60 percent of revenue for the nine months ended September 30, 2005. Gross profit expressed as a percent of revenue for the period ending September 30, 2006 was lower than the corresponding period in 2005 as the lower margin Brake Inspector[®] product accounted for 25 percent of revenue compared to 16 percent in 2005.

Gross profit margins will vary depending on the mix of product sales within the Brake Safe[®] and Brake Inspector[®] product lines. In addition the mix of distribution channels may affect margins when sales are generated through distributors, dealers and direct sales to fleets. The Company's most profitable sale rests with the fleet customer, followed by dealers and distributors.

Expenses:**Operating Expenses****Three months ended September 30, 2006**

Total operating expenses before interest expense and amortization charges decreased by \$20,382 to \$88,219 for the three months ending September 30, 2006 from \$108,601 for the three months ended September 30, 2005.

Selling Expenses for the 2006 period declined from 2005 by \$2,815 and were primarily the result of the Company not attending the Las Vegas industry exposition in 2006.

Subcontract Labour for the 2006 period exceeded 2005 by \$1,050.

Royalty fees for the three month period ended September 30, 2006 declined from the equivalent period in 2005 by \$1,594.

Legal fees were adjusted for reconciliation with actual statements from the Company's solicitors resulting in a reduction to (\$4,345) for the three month period ended September 30, 2006.

Consulting fees for the three month period were \$4,988 less than 2005. Fee decreases resulted from termination of services provided by Mentorinc Financial Services in managing the Company's advisory board.

Office and general expensed increased by \$2,224 for the period.

Nine months ended September 30, 2006

Total operating expenses before interest expense and amortization charges increased by \$170 to \$424,008 for the nine months ending September 30, 2006 from \$423,838 for the nine months ended September 30, 2005.

Selling expenses for the nine months ending September 30, 2006 were \$52,446 or \$2,881 higher than the same period in 2005. Increases resulted from costs incurred in training customer technical staff in installation of Brake Inspector[®].

Consultant fees for the nine month period ended September 30, 2006 were \$27,973, a decrease of \$14,309 from the equivalent period in 2005. Fee decreases resulted from termination of services provided by Mentorinc Financial Services in managing the Company's advisory board.

Royalty fees for the nine month period ended September 30, 2006 were \$64,506 exceeding the equivalent period in 2005 by \$4,978. Royalty expenses payable to Dynamic Venture Opportunities Fund in the second quarter exceeded the minimum quarterly payment due to increased revenues relative to the same period in 2005 while Brake Inspector[®] royalty payments increased as a result of higher Brake Inspector[®] product sales.

Commissions on product sales for the nine month period ended September 30, 2006 were \$15,180, a decrease of \$2,950 compared to the equivalent period in 2005. Decreased commissions reflect increased sales to non-commission accounts for the Brake Safe[®] and Brake Inspector[®] product lines.

Stock based compensation for the nine month period was \$9,359. The Company commenced recording a fair value for stock options granted under the Company's stock based compensation plan in December 2005. No fair value was recorded for the nine month period in 2005.

Interest Expense

Interest expense for the three months ended September 30, 2006 was \$15,482 compared to \$13,769 during the same period in 2005. Year to date Interest charges for the nine months ended September 30, 2006 were \$45,262 compared to \$34,513 during the same period in 2005. Declining interest charges will continue on the long term debt as principal repayment reduces charges payable. The Company owes TD Canada Trust at September 30, 2006 long term debt of \$3,582. Long term debt with the Business Development Bank of Canada at September 30, 2006 was \$1,650. Declining interest payment on bank loans is offset by compounding interest charges on outstanding supplier balances and loans from management.

Amortization

Amortization of capital assets and other assets totaled \$32,803 for the three month period ending September 30, 2006 compared to \$36,348 for the same period in 2005. For the nine months ended September 30, 2006 amortization of capital assets and other assets were \$95,539 compared to \$108,037 during the same period in 2005.

Brake Safe Royalty and Financing Fee Amortization

Royalty and financing amortization during the three month period ending September 30, 2006 was \$18,333 compared to \$18,767 in the same period of 2005. For the nine months

ended September 30, 2006 royalty and financing amortization costs were \$55,865 compared to \$55,611 during the same period in 2005.

The Company terminated its royalty agreement for the Brake Safe[®] product effective August 6, 2004 for a lump sum payment of \$149,862. This cost is being amortized over the remaining 26 month term of the royalty agreement at August 6, 2004.

The Company incurred closing costs of \$68,388 for the debenture royalty financing arrangement concluded August 6, 2004 with Dynamic Venture Opportunities Fund. The costs are being amortized over the 15 year term of the financing agreement.

Net Loss

Three months ended September 30, 2006

Net Loss for the three months September 30, 2006 was \$ 10,263 or \$0.000 per share basic and fully diluted compared to \$ 65,314 or \$0.002 per share basic and fully diluted for the three months ending September 30, 2005.

Nine months ended September 30, 2006

Net Loss for the nine months ended September 30, 2006 was \$225,897 or \$0.006 per share basic and fully diluted compared to \$251,998 or \$0.007 per share basic and \$0.006 fully diluted for the nine months ending September 30, 2005.

The Company anticipates that it will incur losses during the final three months of its fiscal year ending December 31, 2006. A return to profitability is expected by the end of the fiscal period ending December 31, 2007 as the Company expands its distribution network for its Brake Inspector[®] product line and introduces its systems for standalone trailers and tractor-trailer combinations. Brake Inspector[®] is anticipated to become the leading revenue generator in 2007 and product margins should increase as production costs are decreased from volume purchasing of system components and lower cost production methods.

Balance Sheet:

Total Assets

Total assets ending September 30, 2006 were \$367,855, a decrease of 21 percent from \$463,608 for the period ending December 31, 2005. This decrease in asset value is the result of normal depreciation charges.

Total Liabilities

Total liabilities ending September 30, 2006 were \$2,372,172, an increase of 2 percent from \$2,329,887 for the period ending December 31, 2005. This increase in liabilities resulted from an increase in trade payables of \$52,628 offset by a decrease in loans payable of \$10,342.

Liquidity and Cash Flow

Three months ended September 30, 2006

During the three month period ending September 30, 2006, the Company had a surplus from operating activities of \$21,900 compared to the use of \$29,176 of working capital to fund its operations during the same period in 2005. Non cash working capital utilized \$11,286 of cash for the period compared to a contribution of \$45,049 for the three months ended September 30, 2005. Non cash working capital was primarily comprised of decreases in accounts payable and accounts receivable of \$157,607 and \$140,983 respectively. The Company used \$16,098 of cash proceeds to increase capital and non current assets and received \$6,786 of cash proceeds from financing activities resulting in a net increase in cash resources of \$1,302 and total cash resources available at the end of the period of \$11,64. During the equivalent three month period in 2005, the Company showed a net increase in cash resources of \$2,631 and net cash resources balance of \$18,275.

Nine months ended September 30, 2006

For the nine month period ending September 30, 2006, the Company utilized \$130,358 of working capital compared to \$143,961 in 2005. Non-cash working capital during the nine months contributed \$74,322 compared to \$200,937 in 2005. For the nine month period ending September 30, 2006, the Company used \$29,148 to increase capital assets and non current assets and received \$92,365 of cash proceeds from financing activities resulting in a net cash increase of \$7,181. Cash resources at the end of the nine month period totaled \$11,624. During the corresponding nine month period in 2005, the Company used \$26,561 to increase capital assets and non current assets and reduced loans by \$20,055. This resulted in a net increase in cash resources of \$10,360 and cash resources balance at the end of the period of \$18,275.

The 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 significant losses from operations during the past several years and has an accumulated deficit at September 30, 2006 of \$6,169,709 compared to an accumulated deficit of \$5,943,812 for the same period in 2005. The Company has a working capital deficiency of \$1,100,400 at September 30, 2006. The Company's current cash and cash equivalents will be insufficient to meet the anticipated need for ongoing expenses, working capital and capital expenditures. Therefore the Company is seeking \$2,500,000 of additional funds to provide working capital, inventory and capital equipment necessary to implement its five year business plan.

The Company's ability to continue operations is dependent upon 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 adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company is currently pursuing financing opportunities that may take the form of additional equity or debt securities. In the event the Company raises funds through the sale of equity or convertible debt instruments, additional dilution to existing shareholders may result. Terms of debt instruments may limit the Company's operations or ability to pursue market opportunities. Management cannot be certain that this additional financing will be available in the amounts required or on acceptable terms.

The Company will continue to seek new financing, joint venture or strategic financial relationships that will permit ongoing operation of the Company and its subsidiary. Management believes that the strong functional and competitive capabilities of its Brake Safe[®], Brake Inspector[®] and Termin-8r[™] product lines will improve the Company's profitability. Funding the Company's current operations and addressing its future growth opportunities are dependent on revenue growth and future financing arrangements.

Related Party Transactions

As at September 30, 2006, the Company has no related party transactions.

Off Balance Sheet Arrangements

As at September 30, 2006, the Company does not have any material off balance sheet arrangements.

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares. As at September 30, 2006, there were 37,536,837 outstanding common shares including 5,596,260 remaining in escrow with release dependent on the Company attaining certain cash flow levels.

Share Options

The Company has a stock option plan that permits the grant of options to directors, officers, employees and consultants. The plan provides for the grant of a maximum number of options equal to ten percent of issued and outstanding common shares issued, with a maximum term of five years, fully vesting at the date of grant. The Company values options based on the trading price of the Company's common shares on the date of the grant, (CICA Handbook section 3870, "Stock-based compensation and other stock-based payments"), and the pricing requirements of the TSX Venture Exchange.

As at September 30, 2006, there were 2,500,000 outstanding options to acquire common shares. These options were held by directors, employees and consultants.

Warrants

On June 29, 2006, the Company closed a private placement of 1,570,000 units consisting of one common share at a deemed price of \$0.05 per share and one warrant redeemable until June 29, 2008 for one common share of the Company at a price of \$0.10 per share. The Company has 1,570,000 warrants outstanding as at September 30, 2006.

OUTLOOK:

The Company continues to focus its efforts on completion of its Brake Inspector[®] product development program. With its standalone truck system receiving initial sales success in the waste management and redi-mix industries, the opportunity to expand in these market segments throughout North America is significant. With the completion of the digital version of the current standalone system, the Company is positioned to launch Brake Inspector[®] into additional market segments experiencing similar needs, most notably fire and emergency vehicles, hydro electric utilities and construction vehicles. The development and testing of the Brake Inspector[®] digital standalone trailer system and the PLC version of Brake Inspector for tethered truck-trailer combinations will complete our product offering and provide the transportation industry will solutions that meet the needs of safety, operating efficiency and maintenance cost reductions. The Company's Brake Safe[®] product has gained market acceptance in the Canadian marketplace. As roadside enforcement and fines are increased in the United States, management believes sales of the Brake Safe[®] product will show significant growth.

The Company is seeking \$2,500,000 of additional funds to provide working capital, inventory and capital equipment necessary to implement its five year business plan. Upon successful completion of a financing, the Company will proceed to accelerate its sales through expansion of the sales force, introduction of marketing and advertising programs, and initiation of product cost reducing measures. As a result of these activities, the Company anticipates a return to profitability in the fiscal period ending December 31, 2007.

FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, this discussion contains forward looking statements that involve risks and uncertainties, including the impact of competitive products and pricing and general economic conditions as they affect the Company's customers. Actual results and developments may therefore differ materially from those described in this release.