Spectra Inc.

Management Discussion and Analysis

Third Quarter Ending September 30, 2007

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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, 2007. 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 Brake Safe®, a visual brake stroke indicator, 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. Brake Inspector®, the Company's electronic version of Brake Safe®, is an air brake diagnostic system. 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 Termin-8r®, an anti-corrosion lubricant, 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
(All amounts are in Canadian dollars)

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, 2007.

QUARTERLY DATA

	Three month period ending:							
	30.09.07	30.06.07	31.03.07	31.12.06	30.09.06	30.06.06	31.03.06	31.12.05
Revenue	184,731	150,911	204,763	182,700	207,369	271,982	144,339	185,997
Gross profit	107,543	57,661	125,399	88,004	126,241	128,654	84,017	79,203
SG&A expenses	227,894	460,224	196,267	344,148	136,504	271,299	157,006	339,128
Loss for the period	(121,696)	(402,563)	(70,868)	(258,401)	(10,263)	(142,645)	(72,989)	(259,924)
Loss per share*** (basic & diluted)	(.003) (.003)	(.009) (.007)	(.002) (.002)	(.007) (.007)	(.000) (.000)	(.004) (.003)	(.002) (.002)	(.007) (.007)

Seasonality
In 2006, the Company's sales reflect a marginal sales trend with the weakest sales quarter traditionally occurring in the January through March period, representing on approximately 22 percent of annual sales. The strongest sales quarter, March through June accounted for approximately 34 percent of total sales. As the Company redefines its marketing strategies, these trends may not continue into the current year.

Results of Operations

Revenues

Three months ended September 30, 2007
Revenue for the three months ended September 30, 2007 decreased by 11% to $184,731 compared to revenue of $207,369 for the three month period ended September 30, 2006. The decrease in revenue is attributable to decreased sales of the Brake Safe® product, down 25 percent over sales in 2006, decreased Brake Inspector® sales, down 15 percent over 2006 but partially offset by increased sales of Termin-8r ®, 168 percent higher than the same period in 2006.

During the three month period ended September 30, 2007, Brake Safe® revenues were $34,362 less than the same period in 2006. The decrease resulted from a general decline in purchases from the Company's distribution network in Canada and specifically its largest Toronto based distributor.

Brake Inspector® sales during the three month period ending September 30, 2007 were less than the same period in 2006 by $6,895 or 15 percent. No new customers were added during the period while two large, existing customers placed fewer orders for new vehicles during the period compared to 2006. Brake Inspector® has a small customer base. For this reason quarterly sales will fluctuate depending on the timing of existing and new customer orders.

Termin-8r® sales in the three month period ending September 30, 2007 increased from the equivalent period in 2006 by $24,362 or 168 percent. A new marketing campaign for this product has expanded the Company's customer base.

Nine months ended September 30, 2007
Revenue for the nine months ended September 30, 2007 decreased by 14% to $539,265 compared to revenue of $623,690 for the nine month period ended September 30, 2006. Sales of Termin-8r® increased by 40%, but this was more than offset by declines in sales of Brake Safe® products, Brake Inspector® products and miscellaneous products of 8%, 11% and 61% respectively. 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® 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 stand-alone 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 this system for the fall of 2007. The Company is currently in beta trials on its truck-trailer system utilizing a digital, PLC based transmission of brake data. These two additional product lines are expected to generate sales growth commencing in the fourth quarter of 2007.

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 expanded its sales efforts in the third quarter of 2007 through implementation of marketing programs designed to get fleet trials of the product and build awareness of the superior features of Termin-8R®.

Gross profit

Three months ended September 30, 2007
Gross profit decreased by $18,698 for the three months ended September 30, 2007 to $107,543 or 58 percent of revenue from $126,241 or 61 percent of revenue for the three months ended September 30, 2006. The decrease in gross profit as a percent of revenues is attributable to the $22,921 write off during the period of obsolete Brake Inspector® product that has been inventoried for spare parts for systems sold during 2002-2003 and current Brake Inspector® components that are incompatible with the new digital system.

Nine months ended September 30, 2007
Gross profit decreased by $49,387 for the nine months ended September 30, 2007 to $289,525 or 54 percent of revenue from $338,912 or 54 percent of revenue for the nine months ended September 30, 2006. Higher gross profits during the first quarter of 2007 were offset by lower sales during, mostly, the second quarter with corresponding lower gross profits and the write down of obsolete inventory.

Operating expenses

Three months ended September 30, 2007
Total operating expenses before interest expense, debt carrying value adjustment and amortization charges increased by $113,024 to $201,243 for the three months ending September 30, 2007 compared to $88,219 for the three months ended September 30, 2006. The increased expense for the period resulted from increased professional fees (legal and accounting costs) and higher management fees as additional senior management personnel were retained to lead the new sales drive.

Professional fees for the three month period ended September 30, 2007 were $11,432. This was an increase in fees from the equivalent period of $14,468 as, in 2006, a credit adjustment of $3,306 had been made. This increase was primarily due to the approach of now accruing annual audit costs each month, rather than the expense totally being in the last quarter.

Management fees for the three month period ended September 30, 2007 were $67,900, an increase in fees from the equivalent period in 2006 when they were zero. Increased fees resulted from the addition of Mr. Glen Campbell to the management team as Chairman and CEO of the Company's subsidiary, Spectra Products Inc. as well as new fee arrangements with other senior personnel.

Stock based compensation for the three month period ended September 30, 2007 was zero as it also was during the equivalent period in 2006. The Company has 3,025,000 options outstanding as at September 30, 2007. The Company has 6,315,000 warrants outstanding as at September 30, 2007.

Office and general expenses for the three months ending September 30, 2007 were $23,531 compared to $13,473 in the same period in 2006.

Premises expenses (rent and utilities) for the three months ending September 30, 2007 were $14,096 compared to $13,867 in the same period in 2006.

Public relations expenses for the three months ending September 30, 2007 were zero as they also were during the equivalent period in 2006.

Selling expenses for the three months ending September 30, 2007 were $41,141 or $28,926 higher than the same period in 2006. This reflected the hiring of additional sales personnel to assist in developing sales programs for the new product line.

Royalty debenture fees for the three month period ended September 30, 2007 were $18,750, a decrease from the equivalent period in 2006 of $1,907. Royalty expenses in the quarter in 2006 exceeded the minimum quarterly payment due to increased revenues relative to the same period in 2007.

Annual audit fees related to the ISO9001-2000 quality control system were zero during the three month period ended September 30, 2007 and also zero during the same period in 2006.

Consultant fees for the three month period ended September 30, 2007 were zero, a decrease of $8,999 from the equivalent period in 2006.

Commissions on product sales for the three month period ended September 30, 2007 were $6,140, an increase of $1,517 compared to the equivalent period in 2006.

Nine months ended September 30, 2007

Total operating expenses before interest expense and amortization charges increased by $383,945 to $807,953 for the nine months ending September 30, 2007 from $424,008 for the nine months ended September 30, 2006. The increased expense for the period resulted primarily from increased legal and accounting costs, higher management fees, corporate public relations costs and stock based compensation and warrant expenses.

Professional fees for the nine month period ended September 30, 2007 were $115,625, an increase in fees from the equivalent period in 2006 of $78,163. Increased audit expenses and legal fees related to the Company's private placement and investment by the Dynamic Venture Opportunities Fund in Spectra Products accounted for the increased expenses.

Management fees for the nine month period ended September 30, 2007 were $222,532, an increase in fees from the equivalent period in 2006 of $147,232. Increased fees resulted, in part, from the addition of Mr. Glen Campbell to the management team as Chairman and CEO of the Company's subsidiary, Spectra Products Inc. Also, the Company commenced accounting for management fees on a monthly basis in 2007 compared to previous years where 37.5 percent of management fees were booked during the first nine months of each fiscal year and the balance of fees at fiscal year end.

Stock based compensation for the nine month period ended September 30, 2007 was $99,087 compared to $9,359 during the equivalent period in 2006. During the period the Company issued 1,500,000 stock options to directors, officers, employees and consultants. These options were valued at $23,800 using the Black-Scholes evaluation model. The Company has 3,025,000 options outstanding as at September 30, 2007. During the period the Company closed a private placement of 4,745,000 units consisting of one common share and one warrant redeemable until May 10, 2009 for one common share of the Company at a price of $0.10 per share. The warrants are valued at $75,287 using the Black-Scholes evaluation method. During the same period in 2006 the Company issued warrants valued at $9,359. The Company has 6,315,000 warrants outstanding as at September 30, 2007.

Office and general expenses for the nine months ending September 30, 2007 were $54,312 compared to $41,146 in the same period in 2006.

Premises expenses (rent and utilities) for the nine months ending September 30, 2007 were $44,578 compared to $44,039 in the same period in 2006.

Public relations expenses for the nine months ending September 30, 2007 were $25,000 compared to no expense in the same period in 2006. The Company had no program during the same period in 2006.

Selling expenses for the nine months ending September 30, 2007 were $73,305 or $20,859 higher than the same period in 2006. This reflected the increased activities of the sales force in the third quarter of 2007.

Debenture royalty fees for the nine month period ended September 30, 2007 were $56,250, a decline compared to the equivalent period in 2006 of $8,256. Royalty expenses in the quarter in 2006 exceeded the minimum quarterly payment due to increased revenues relative to the same period in 2006.

Consultant fees for the nine month period ended September 30, 2007 were $24,000, an increase of $3,973 from the equivalent period in 2006. Increased fees resulted from consultant activity on the Company's ISO9001-2000 program and preparation of the Company's strategic business plan.

Commissions on product sales for the nine month period ended September 30, 2007 were $16,331 compared to $15,180 during the equivalent period in 2006.

Interest expense

Interest expense for the three months ended September 30, 2007 was $8,901 compared to $15,482 during the same period in 2006. Year to date interest charges for the nine months ended September 30, 2007 were $37,450 compared to $45,262 during the same period in 2006. Interest expense has resulted from compounding interest charges on outstanding supplier balances and loans from management.

Amortization

Amortization of capital assets and other assets totaled $17,750 for the three month period ending September 30, 2007 compared to $32,803 for the same period in 2006. For the nine months ended September 30, 2007 amortization of capital assets and other assets was $37,906 compared to $95,539 during the same period in 2006.

Net loss from operations
Three months ended September 30, 2007
Net loss from operations for the three months ended September 30, 2007 was $121,696 or $0.003 per share basic and fully diluted compared to $10,263 or $0.000 per share basic and fully diluted for the three months ending September 30, 2006.

Nine months ended September 30, 2007
Net loss from operations for the nine months ended September 30, 2007 was $593,218 or $0.013 per share basic and fully diluted compared to $225,897 or $0.006 per share basic and fully diluted for the nine months ending September 30, 2006.

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 a leading revenue generator. Combined with an aggressive marketing plan for the Brake Safe® and Termin-8R® product lines, it is projected that sales and profit contribution will increase dramatically over the next few years.

Balance Sheet

Total assets

Total assets as at September 30, 2007 were $790,215 compared to $463,419 as at December 31, 2006. This increase in asset value is the result of the closing of a non brokered private placement on May 28, 2007 for $237,250 and the investment on June 1, 2007 by Dynamic Venture Opportunities Fund of $750,000, but reduced by the funding of operating losses since January 1, 2007.

Total liabilities

Total liabilities as at September 30, 2007 were $2,126,981 compared to $2,504,375 as at December 31, 2006.

Liquidity and Cash Flow

Three months ended September 30, 2007

During the three-month period ending September 30, 2007, the Company used $102,601 in operating activities compared to a surplus of $21,900 during the same period in 2006. Non-cash items used $203,714 for the period compared to of $11,286 for the three months ended September 30, 2006. Non-cash items were primarily comprised of increases in accounts receivable and inventories as well as a reduction in accounts payable. The Company used $22,301 to increase equipment and intangible assets during the period resulting in a net decrease in cash resources of $322,663 and net cash resources at the end of the period of $112,761. During the equivalent period in 2006, the Company showed a net increase in cash resources of $1,302 and net cash resources of $11,624 at the end of the period.

Nine months ended September 30, 2007

During the nine month period ending September 30, 2007, the Company used $555,878 in operating activities compared to $130,358 in operations during the same period in 2006. Non-cash items used $390,640 for the period compared to a contribution of $74,322 for the nine months ended September 30, 2006. During the period, the Company received $1,217,254 from financing activities comprised of $1,166,500 in share capital, $99,087 in stock based compensation offset by a net decrease in loans of $48,333. The Company used $165,860 to increase equipment and intangible assets during the period resulting in a net increase in cash resources of $104,876 and net cash resources at the end of the period of $112,761. During the equivalent period in 2006, the Company showed a net increase in cash resources of $7,181 and net cash resources balance of $11,624 at the end of the period.

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, 2007 of $7,036,063 compared to an accumulated deficit of $6,442,279 at December 31, 2006. The Company has a working capital deficiency of $784,833 at September 30, 2007.

The Company's current cash and cash equivalents will be insufficient to meet the anticipated need for ongoing expenses, working capital and capital expenditures. The Company will seek $750,000 of additional funds to provide working capital, inventory and capital equipment necessary to complete implementation 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 may pursue additional 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 additional 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, 2007, the Company had accounts payable to two officers and directors, Michael Faye and Andrew Malion, totaling $512,205 and accrued management fees owing to them totaling $378,333. In addition, shareholder loans to Michael Faye and Andrew Malion totaling $354,032. During the nine months ended September 30, 2007 interest of $25,908 was charged against profits on the shareholder loans payable to Michael Faye and Andrew Malion. During the nine months ended September 30, 2007 the cost of management fee compensation to Michael Faye and Andrew Malion was $76,766 and $70,766 respectively.

Off balance sheet arrangements

As at September 30, 2007, 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, 2007, there were 46,881,837 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, 2007, there were 3,025,000 outstanding options to acquire common shares. These options were held by directors, officers, employees and consultants.

Warrants

On May 11, 2007, the Company closed a private placement of 4,745,000 units consisting of one common share at a deemed price of $0.05 per share and one warrant redeemable until May 10, 2009 for one common share of the Company at a price of $0.10 per share. The Company has 6,315,000 warrants outstanding as at September 30, 2007.

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 truck system and standalone trailer 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, construction vehicles and trailer fleets. The development and testing of the PLC version of Brake Inspector® for tethered truck-trailer combinations will complete our product offering and provide the transportation industry with 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 $750,000 of additional funds to provide working capital, inventory and capital equipment necessary to complete the implementation its five-year business plan. 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. With the expanded Brake Inspector® product offering and an aggressive marketing plan for the Brake Safe® and Termin-8R® product lines, it is projected that sales and profit contribution will increase dramatically over the next few years.

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.