Spectra Inc.

Management Discussion and Analysis

First Quarter Ending March 31, 2008

May 28, 2008

Spectra Inc.
Management Discussion and Analysis
First Quarter Ending March 31, 2008

The following Management Discussion and Analysis is supplementary to, and should be read in conjunction with the interim financial statements for the period ended March 31, 2008. 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 March 31, 2008.

QUARTERLY DATA

	Three month period ending:							
Canadian Dollars	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Revenue	260,689	253,416	184,731	150,911	204,763	182,700	207,369	271,982
Gross Profit	137,544	68,115	107,543	57,661	125,399	88,004	126,241	128,654
SG&A Expenses	293,810	406,655	227,894	460,224	196,267	344,148	136,504	271,299
Debt settlement	11,610	1,234,122						
Debt value adj	(24,241)							
Income for the period	(168,897)	795,765	(121,696)	(402,563)	(70,868)	(258,401)	(10,263)	(142,645)
Loss per share (basic & diluted)	(.003)	.019	(.003)	(.009)	(.002)	(.007)	(.000)	(.004)

Seasonality:

It is becoming difficult to predict the seasonality of sales as trends are now positively impacted by the result of new sales programs and an expanding customer which would distort any meaningful comparison.

Results of operations

Revenues:

Three months ended March 31, 2008

Revenue for the three months ended March 31, 2008 increased by 27% to $260,689 compared to revenue of $204,763 for the three-month period ended March 31, 2007. This increase in revenue is attributable to increased sales in all market segments. Sales of the Brake Safe® product were up 11% from sales in 2007; sales of Brake Inspector® were 35% ahead of the same period in 2007 and sales of Termin-8R® were up 146% from 2007.

During the three-month period ended March 31, 2008, Brake Safe® revenues were $15,326 higher than the same period in 2007; Brake Inspector® sales were $14,858 higher and sales of Termin-8R® were improved by $23,352.

Brake Inspector® is in the early stages 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 has experienced considerable variances quarter to quarter as new fleets proceed from a trial of the product to equipping all fleet vehicles. The Company has launched production of the stand-alone digital truck system and the stand-alone trailer system and product sales are currently limited to standalone vehicles, i.e. trucks, trailers and buses. 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 fourth quarter of 2008.

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.Termin-8R® has a small customer base and accordingly quarterly sales will fluctuate depending on the timing of existing and new customer orders. In the first quarter of 2008, the Company introduced a marine/recreational version of the Termin-8R® line and with this expects to make inroads into the retail markets.

Gross profit

Three months ended March 31, 2008

Gross profit increased by $12,145 for the three months ended March 31, 2008 to $137,544 or 53 percent of revenue from $125,399 or 61 percent of revenue for the three months ended March 31, 2007. The increase in gross profit margin is attributable to increased unit sales of all products and the lower margins are a reflection in the changes in product mix in sales, with Termin-8R® becoming a more significant portion of overall sales.

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 March 31, 2008

Total operating expenses before interest expense and amortization charges increased by $99,145 to $272,087 for the three months ending March 31, 2008 from $172,942 for the three months ended March 31, 2007.

Management fees were $61,000 for the three months ending March 31, 2008 compared to $50,000 expensed in 2007.

Labour costs were $63,744 for the 2008 period compared to $16,440 in the same period in 2007. This reflects the conversion of certain management contracts to employee relationships.

Selling expenses for the three months ending March 31, 2008 were $24,563 or $9,196 higher than the same period in 2007. Increased costs resulted from the development of marketing DVD's for the Brake Safe® and Termin-8R® products.

Office and general costs for the three-month period ended March 31, 2008 were $20,569, an increase of $6,835 from the equivalent period in 2007.

Consultant fees for the three-month period ended March 31, 2008 were $12,000, the same as for the equivalent period in 2007.

Professional fees for the three-month period ended March 31, 2008, were $27,968, an increase in fees from the equivalent period in 2007 of $14,486.

Interest expense

Interest charges for the three months ended March 31, 2008 were $10,216 compared to $15,598 during the same period in 2007. The decrease was primarily due to the settlement of loans from related parties negotiated in the fourth quarter of 2007.

Amortization

Amortization of capital assets and other assets totaled $11,507 for the three-month period ending March 31, 2008 compared to $7,727 for the same period in 2007.

Debt settlement

The Company settled a trade payable at a discount, resulting in an income gain of $11,610 during the three months ended March 31, 2008

Net loss
Three months ended March 31, 2008

Net loss, before unusual items, for the three months ended March 31, 2008 was $156,266 or $0.003 per share basic and fully diluted compared to $70,868 or $0.002 per share basic and fully diluted for the three months ending March 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 a leading revenue generator in 2008. 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 ending March 31, 2008 were $617,111, an increase of 70 percent compared to $363,978 for the period ending March 31, 2007. This increase in asset value is the result of increases in inventory and receivables.

Total liabilities

Total liabilities ending March 31, 2008 were $2,211,957, an decrease of 7 percent from $2,384,983 for the period ending March 31, 2007. This decrease in liabilities resulted from a combination of the issuance of convertible preference shares offset by the waiver of certain fees payable to related parties.

Liquidity and cash flow

Three months ended March 31, 2008

During the three-month period ending March 31, 2008, the Company used $99,168 in operating activities compared to providing $121,219 in operations during the same period in 2007. During the period, the Company used $6,400 to increase equipment and intangible assets and repaid $11,937 of long term debt, resulting in a net decrease in cash resources of $117,505 and net cash overdraft balance at the end of the period of $33,503. During the equivalent period in 2007, the Company showed a net increase in cash resources of $27,398 and net cash resources balance of $35,282 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 March 31, 2008 of $6,450,350 compared to an accumulated deficit of $6,481,328 as at March 31, 2007. The Company has a working capital deficiency of $289,047 as at March 31, 2008 compared to a deficiency of $1,075,570 at March 31, 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. Therefore the Company is seeking 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.

Subsequent event

On April 10, 2008 the Company received a further loan advance of $150,000 from Dynamic Venture Opportunities Fund. This loan accumulates interest at 12% per annum and matures on June 30, 2008.

On April 18, 2008 the Company obtained a $75,000 term loan from its banker, The Royal Bank of Canada. This is repayable in monthly installments over the next twelve months.

Related party transactions

As at March 31, 2008, the Company had shareholder loans totaling $39,136

During the three months ended March 31, 2008, management fees totaling $45,000 were paid to executives who were directors and shareholders or to companies controlled by them.

During the three months ended March 31, 2008, consulting fees of $12,000 and royalties of $2,304 were paid to a company owned by a director.

.

During the three months ended March 31, 2008, salaries totaling $42,804 were paid or accrued to executives who were directors and shareholders.

Off balance sheet arrangements

As at March 31, 2008, 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 March 31, 2008, 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 March 31, 2008, there were 2,575,000 outstanding options to acquire common shares. These options were held by directors, employees and consultants.

Warrants

As at March 31, 2008, there were 6,413,910 outstanding warrants to acquire common shares.

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 continues to seek 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. 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.