

Spectra Inc.

Management Discussion and Analysis

First Quarter Ending March 31, 2008

Restated

September 3, 2008

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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 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.

b) Change in Accounting Policies

i) On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement; CICA Handbook Section 1506, Accounting Changes; CICA Handbook Section 3865, Hedges; and CICA Handbook Section 1530, Comprehensive Income. Reference should be made to the audited annual financial statements for the period ending December 31, 2007 for further information and impact on the consolidated financial statements of adopting these standards.

ii) Effective January 1, 2008, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures, CICA Handbook Section 3863, Financial Instruments – Presentation, and CICA Handbook Section 1535, Capital Disclosures.

Handbook Section 3862, Financial Instruments – Disclosures and Handbook Section 3863, Financial Instruments – Presentation, establish standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments and for presentation of financial instrument and non-financial derivatives. These new standards supersede Handbook Section 3861. These new standards relate to disclosure only and did not have an impact on the financial results of the Company.

Handbook Section 1535, Capital Disclosures, requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new standard relates to disclosure only and did not have an impact on the financial results of the Company.

Financial Instruments and Financial Risk Management

The Company's utilizes its risk management strategy to limit its exposure to financial risks resulting from its manufacturing and sales activities and its use of financial instruments including market risk, credit risk and liquidity risk. The Company's risk management policy has not changed from 2007.

Market Risk

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates will affect the Company's income of the value of its financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters.

Foreign currency risk

The Company realizes a portion of its revenue and expenses in foreign currencies. Consequently, some assets, revenue and expenses are exposed to foreign exchange fluctuations. The following assets, revenue and expenses originate in United States dollars and are subject to fluctuations:

As at March 31, 2008

Current assets	\$ 28,536
Revenue	\$ 6,315
Expenses	\$ 466

Foreign currency sensitivity analysis

The Company is marginally exposed to foreign currency fluctuations as certain revenues and expenses derived from sales activities in the United States are denominated in U.S. dollars. As at March 31, 2008, the Company had \$28,536 of net current assets denominated in U.S. dollars. The Company's sensitivity to foreign currency fluctuations is such that a 10% strengthening or weakening of the U.S. dollar would result in a \$678 decrease or increase, respectively, to the Company's loss before income taxes for the period ended March 31, 2008.

Interest rate risk

The Company has no exposure to interest rate risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument may be unable to discharge their obligation. The Company's main source of credit risk is outstanding accounts receivable and the Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. In order to prevent losses, the Company manages credit risk by assessing the credit worthiness of potential customers and regularly monitoring outstanding accounts receivable. In determining impairment of financial assets, the Company reviews all receivable balances greater than 90 days and assesses customer payment history.

At March 31, 2008, one customer (December 31, 2007-nil) accounted for 21% of the Company's total trade receivables and one customer (December 31, 2007-one, 11%) accounted for 13% of the total trade receivables:

	As at March 31, 2008	As at December 31, 2007
1-30 days	89,402	26,062
31-60 days	43,277	82,808
60+ days	3,417	41,367
Total trade receivables	112,506	150,217
Impairment allowance	nil	nil
Net trade receivables	136,096	150,217
Other receivables	5,297	15,202
Total receivables	141,393	165,419

At March 31, 2008, one customer accounted for 24% of the Company's revenue (December 31, 2007, one customer, 16% of revenue).

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation. The Company manages its liquidity risk by continuously monitoring its actual cash flows and its forecasted cash flows. In the event the Company's current cash and cash equivalents become insufficient to meet the anticipated need for ongoing expenses, working capital and capital expenditures, the Company will seek additional funds in the form of equity or debt to provide working capital, inventory and capital equipment necessary to implement its five-year business plan.

Fair Value

The Company's financial assets and liabilities are classified and measured as follows:

Cash is classified as a financial assets held for trading and is measured at fair value; accounts receivable is classified as a receivable and is initially measured at fair value and subsequently at amortized cost using the effective interest method; accounts payable and accrued liabilities and loans payable are classified as financial liabilities held for trading and are measured at fair value; and related party loans and royalty debentures are classified as other financial liabilities and are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

The carrying amount of cash, accounts receivable, accounts payable, and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

The carrying amount of loans payable, related party loans and royalty debentures approximates fair value of these financial instruments due to their terms.

Capital Disclosures

The Company's capital structure is comprised of interest bearing debt, a royalty debenture and shareholder's equity. There are no restrictions on the Company's capital. In order to maintain and adjust its capital structure, the Company may issue share capital, issue new debt and refinance existing debt.

The Company's objectives when managing capital are to ensure operation as a going concern in order to manufacture and sell its products to its customers while providing an adequate return to its shareholders and other stakeholders.

The Company meets its objectives for managing capital through preparation of detailed, annual budgets and the monitoring of financial performance. The Company reviews ongoing cash flow and monitors very closely its receivables and payables. Capital management objectives remain unchanged from 2007.

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

Canadian Dollars	Three month period ending:							
	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 compared to \$678,004 for the period ending December 31, 2007.

Total liabilities

Total liabilities ending March 31, 2008 were \$2,211,957 compared to \$2,103,993 for the period ending December 31, 2007.

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 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 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.