

SPECTRA PRODUCTS INC.

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

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NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying interim condensed financial statements of Spectra Products Inc. 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.

SPECTRA PRODUCTS INC.**Unaudited Interim Condensed Statements of Financial Position**

September 30, 2023 and December 31, 2022

	Note	September 30 2023	December 31 2022
ASSETS			
Current			
Cash and cash equivalents		\$ 1,162,647	\$ 1,073,067
Investments	5	94,933	183,126
Accounts receivable	6	355,714	369,515
Inventories	7	306,790	227,472
Loan receivable	8	20,280	-
Prepaid expenses		22,975	27,477
		<u>1,963,339</u>	<u>1,880,657</u>
Loan Receivable	8	-	20,316
Deferred Tax Asset	18	99,225	187,253
Right-of-use Asset	9	251,189	295,517
Total Assets		<u>\$ 2,313,753</u>	<u>\$ 2,383,743</u>
LIABILITIES			
Current			
Accounts payable and accrued charges	11	\$ 130,607	\$ 302,592
Lease liability - current portion	12	60,028	55,876
		<u>190,635</u>	<u>358,468</u>
Lease Liability	12	234,935	280,833
		<u>425,570</u>	<u>639,301</u>
SHAREHOLDERS' EQUITY			
Share Capital	13	732,688	791,261
Contributed Surplus	14	5,274,096	5,274,096
Equity Reserve	15	258,910	258,910
Accumulated Other Comprehensive Loss		(167,229)	(90,722)
Accumulated Deficit		(4,210,282)	(4,489,103)
Total Shareholders' Equity		<u>1,888,183</u>	<u>1,744,442</u>
Total Liabilities and Shareholders' Equity		<u>\$ 2,313,753</u>	<u>\$ 2,383,743</u>

APPROVED ON BEHALF OF THE BOARD

"Andrew J. Malion"

Chairman

"Aidan Bolger"

Director

SPECTRA PRODUCTS INC.

**Unaudited Interim Condensed Statements of Changes in Shareholders' Equity
Nine Months Ended September 30, 2023 and 2022**

	Share capital	Contributed surplus	Equity reserve	Accumulated Other comprehensive income (OCI)	Accumulated deficit	Total shareholders' equity
Balance, January 01, 2023	\$ 791,261	\$ 5,274,096	\$ 258,910	\$ (90,722)	\$ (4,489,103)	\$ 1,744,442
Total comprehensive income	-	-	-	(76,507)	278,821	202,314
Purchase of common shares for cancellation	(58,573)	-	-	-	-	(58,573)
Balance, September 30, 2023	\$ 732,688	\$ 5,274,096	\$ 258,910	\$ (167,229)	\$ (4,210,282)	\$ 1,888,183
	Share capital	Contributed surplus	Equity reserve	Other comprehensive	Accumulated deficit	shareholders' equity
Balance, January 01, 2022	\$ 937,719	\$ 5,232,866	\$ 172,140	\$ (274)	\$ (4,579,233)	\$ 1,763,218
Total comprehensive income	-	-	-	(34,024)	164,156	130,132
Purchase of common shares for cancellation	(81,600)	-	-	-	-	(81,600)
Balance, September 30, 2022	\$ 856,119	\$ 5,232,866	\$ 172,140	\$ (34,298)	\$ (4,415,077)	\$ 1,811,750

SPECTRA PRODUCTS INC.

**Unaudited Interim Condensed Statements of Comprehensive Income
Three and Nine Months Ended September 30, 2023 and 2022**

	Three months ended September 30, 2023		Nine months ended September 30, 2022	
	2023	2022	2023	2022
Sales	\$ 521,791	\$ 461,995	\$ 1,710,460	\$ 1,152,532
Cost of Sales	<u>289,805</u>	<u>214,120</u>	<u>922,279</u>	<u>557,087</u>
Gross Profit	<u>231,986</u>	<u>247,875</u>	<u>788,181</u>	<u>595,445</u>
Expenses				
Administrative costs (note 17)	96,986	92,980	282,677	270,391
Selling costs (note 17)	26,890	29,668	96,503	78,009
Finance costs	2,326	1,237	7,296	3,854
Amortization	14,776	6,521	44,328	19,561
	<u>140,978</u>	<u>130,406</u>	<u>430,804</u>	<u>371,815</u>
Other Income (Loss)				
Foreign exchange gain (loss)	8,796	-	(274)	-
Interest income (note 17)	8,624	-	21,433	-
	<u>17,420</u>	<u>-</u>	<u>21,159</u>	<u>-</u>
Income Before Taxes	<u>108,428</u>	<u>117,469</u>	<u>378,536</u>	<u>223,630</u>
Deferred income taxes (note 18)	28,298	31,055	99,715	59,474
Net Income	<u>80,130</u>	<u>86,414</u>	<u>278,821</u>	<u>164,156</u>
Other Comprehensive Income:				
<i>Items that will not be reclassified through profit and loss:</i>				
Realized gains on investments net of tax of \$nil (2022 - 9mth \$3,085)	-	-	-	19,941
Unrealized gain (loss) on investments net of deferred tax of 3mth - \$4,566; 9mth - \$11,687 (2022 - 3mth (\$1905); 9mth \$8,242)	(29,889)	12,471	(76,507)	(53,965)
	<u>(29,889)</u>	<u>12,471</u>	<u>(76,507)</u>	<u>(34,024)</u>
Total Comprehensive Income	<u>\$ 50,241</u>	<u>\$ 98,885</u>	<u>\$ 202,314</u>	<u>\$ 130,132</u>
Comprehensive Income per Share - Basic & Diluted	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted Average Number of Common Shares				
Outstanding during the year - basic	14,484,819	14,968,994	14,580,261	14,968,994
Outstanding during the year - diluted	15,884,819	15,628,994	15,980,261	15,628,994

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Cash Flows Three and nine months ended September 30, 2023 and 2022

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash Flows from Operating Activities				
Total comprehensive income	\$ 50,241	\$ 98,885	\$ 202,314	\$ 130,132
Adjustments for:				
Deferred taxes	28,298	31,055	99,715	59,474
Finance costs	2,326	1,237	7,296	3,854
Loss (gain) on investments (net of deferred tax)	29,889	(12,471)	76,506	34,024
Foreign exchange gain (loss) on long-term loan receivable	(420)	(1,200)	36	-
Amortization	14,776	6,521	44,328	19,561
	<u>125,110</u>	<u>124,027</u>	<u>430,195</u>	<u>247,045</u>
Changes in:				
Accounts receivable	22,490	(42,157)	13,800	3,875
Loan receivable	-	-	-	(1,650)
Inventories	(23,164)	61,445	(79,318)	(11,212)
Prepaid expenses	8,794	11,713	4,502	(10,325)
Accounts payable and accrued charges	(36,495)	21,732	(171,984)	(16,335)
	<u>(28,375)</u>	<u>52,733</u>	<u>(233,000)</u>	<u>(35,647)</u>
Cash used in operating activities:				
Interest paid	(2,326)	(1,237)	(7,296)	(3,854)
Net Cash Provided by Operating Activities	<u>94,409</u>	<u>175,523</u>	<u>189,899</u>	<u>207,544</u>
Cash Flows from Investing Activities				
Purchase of investments	-	-	-	(12,618)
Proceeds from sale of investments	-	-	-	55,544
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,926</u>
Cash Flows from Financing Activities				
Repayment of lease liability	(14,022)	(6,308)	(41,746)	(18,781)
Purchase of common shares for cancellation	(42,265)	(32,500)	(58,573)	(81,600)
Net Cash Used in Financing Activities	<u>(56,287)</u>	<u>(38,808)</u>	<u>(100,319)</u>	<u>(100,381)</u>
Net Increase (Decrease) in Cash	38,122	136,715	89,580	150,089
Cash and Cash Equivalents - Beginning of Period	1,124,525	890,921	1,073,067	877,547
Cash and Cash Equivalents - End of Period	<u>\$ 1,162,647</u>	<u>\$ 1,027,636</u>	<u>\$ 1,162,647</u>	<u>\$ 1,027,636</u>
Cash	\$ 462,647	\$ 1,027,636	\$ 462,647	\$ 1,027,636
Cash equivalents	700,000	-	700,000	-
Cash and Cash Equivalents	<u>\$ 1,162,647</u>	<u>\$ 1,027,636</u>	<u>\$ 1,162,647</u>	<u>\$ 1,027,636</u>

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
September 30, 2023 and December 31, 2022

1 Nature of Business and Basis of Presentation

Nature of Business

Spectra Products Inc. ("Spectra") or (the "Company") is a manufacturing and marketing company operating in one market segment - bus and truck transportation safety equipment. The Company manufactures and markets brake and wheel-end monitoring equipment as an after-market product through transportation dealers, distributors and direct sales to fleet operators. The address of the Company is Unit 2, 41 Horner Avenue, Etobicoke, Ontario M8Z 4X4.

These unaudited interim condensed financial statements were authorized for issuance by the Company's Board of Directors on November 21, 2023.

The unaudited interim condensed financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values as described in the accounting policies.

Presentation and Functional Currency

The unaudited interim condensed financial statements are presented in Canadian dollars, which is the Company's functional currency.

2 Revision of Income Taxes Note Disclosure

The information presented for the comparative period in Note 18 Income taxes has been revised, compared to the disclosures originally issued by the Company in its unaudited interim condensed financial statements for the three and nine months ended September 30, 2023. The revised information pertains solely to the note disclosure of the Company's income tax provision and deferred tax asset as at and for the three and nine months ended September 30, 2023.

3 Summary of Significant Accounting Policies

Basis of Presentation

These financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the accounting policies disclosed in the annual audited financial statements for the year ended December 31, 2022, with the exception of those stated below.

The notes presented in these unaudited interim condensed financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements, including the notes thereto, for the year ended December 31, 2022.

a) Cash and cash equivalents

Cash comprises deposits held in financial institutions, and cash equivalents comprise short-term investments with a maturity of three months or less. All are stated at their fair value.

4 Capital Structure

The capital structure of the Company consists principally of shareholders' equity comprised of accumulated deficit, contributed surplus, equity reserve, accumulated other comprehensive loss and share capital. The Company's primary uses of capital are to finance working capital requirements and capital expenditures, which are currently funded from internally generated cash flows. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth and to deploy capital to provide an appropriate return on investment to its shareholders.

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
September 30, 2023 and December 31, 2022

4 Capital Structure (cont'd)

The components of capital are as follows:

	September 30, 2023	December 31, 2022
Share capital	\$ 732,688	\$ 791,261
Contributed surplus	5,274,096	5,274,096
Equity reserve	258,910	258,910
Accumulated other comprehensive loss	(167,229)	(90,722)
Accumulated deficit	(4,210,282)	(4,489,103)
	\$ 1,888,183	\$ 1,744,442

5 Investments

Investments comprise marketable securities and a subordinated convertible promissory note. The promissory note is stated at fair value, being the estimated recoverable amount of the investment.

	September 30, 2023	December 31, 2022
Marketable securities	\$ 94,933	\$ 183,126
Subordinated convertible promissory note	-	-
	\$ 94,933	\$ 183,126

6 Accounts Receivable

	September 30, 2023	December 31, 2022
Trade receivables	\$ 334,343	\$ 350,165
Government remittances receivable	15,882	18,891
Interest receivable (note 17)	5,489	459
	\$ 355,714	\$ 369,515

At September 30, 2023 based on the Company's experience, there was \$nil allowance for doubtful accounts (December 31, 2022 - \$nil).

7 Inventories

	September 30, 2023	December 31, 2022
Finished goods	\$ 246,501	\$ 119,274
Raw materials	60,289	108,198
	\$ 306,790	\$ 227,472

8 Loan Receivable

On July 19, 2021, the Company advanced USD \$15,000 to the Company's President. This loan was due for repayment on July 19, 2022 together with interest at 5%. In 2022, the maturity date of the loan was extended by the Board of Directors to July 19, 2024. At September 30, 2023, the Canadian dollar converted value of this loan is \$20,280 (December 31, 2022 - \$20,316).

9 Right-of-use Asset

	September 30, 2023	December 31, 2022
Cost	\$ 443,809	\$ 443,809
Less: Accumulated amortization	(192,620)	(148,292)
	\$ 251,189	\$ 295,517

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
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10 Intangible Assets – Product Rights

	September 30, 2023	December 31, 2022
Cost	\$ 25,000	\$ 25,000
Less: Accumulated amortization	(25,000)	(25,000)
	<u>\$ -</u>	<u>\$ -</u>

The product rights are currently in use by the Company.

11 Accounts Payable and Accrued Charges

	September 30, 2023	December 31, 2022
Trade and other payables	\$ 93,080	\$ 227,801
Accrued expenses (note 17)	30,375	65,244
Government remittances payable	7,152	9,547
	<u>\$ 130,607</u>	<u>\$ 302,592</u>

12 Lease Liability

The Company has renewed its premises lease effective January 1, 2023 which continues for five years until December 31, 2027. The present value of the lease liability has been calculated using the Company's incremental borrowing rate of 3.10% per annum.

	September 30, 2023	December 31, 2022
Lease liability	\$ 294,963	\$ 336,709
Less: current portion	(60,028)	(55,876)
Long-term portion	<u>\$ 234,935</u>	<u>\$ 280,833</u>

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Principal repayment of lease liability	\$ 14,022	\$ 6,308	\$ 41,746	\$ 18,781
Interest expense	2,326	1,237	7,296	3,854
Total lease payments made	<u>\$ 16,348</u>	<u>\$ 7,545</u>	<u>\$ 49,042</u>	<u>\$ 22,635</u>

13 Share Capital

Authorized

Unlimited	common shares with no par value
Unlimited	first, second, third and fourth preferred shares with no par value to be issued in one or more series, redeemable, with rights, privileges, restrictions and conditions to be determined by the Board of Directors upon issuance
540,000	second preferred shares Series 1, with no par value, non-cumulative dividends of 10% per annum, redeemable at the stated value, non-voting

	September 30, 2023	December 31, 2022
Issued and outstanding		
14,441,395 (2022 – 14,650,895) common shares	<u>\$ 732,688</u>	<u>\$ 791,261</u>

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
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13 Share Capital (cont'd)

As of March 23, 2023, the TSX Venture Exchange accepted the Company's Notice of Intention to make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to a maximum of 732,545 common shares of the capital of the Company from time to time, as the Company considers appropriate. The maximum number of common shares to be purchased pursuant to the NCIB represents 5.0% of the Company's 14,650,895 common shares outstanding as at the date above. The NCIB commenced on March 27, 2023 and will terminate on March 26, 2024 or at such earlier time as the NCIB is completed or terminated at the option of the Company. In the nine months ended September 30, 2023, the Company purchased 209,500 common shares for a total cost of \$58,573. This has been accounted for as a reduction to share capital. Refer to note 20 for additional share repurchases subsequent to the date of these unaudited interim condensed financial statements.

On October 31, 2022, the Company conducted a share consolidation whereby every five pre-consolidation shares were consolidated to one post-consolidation share. The number of shares disclosed in these unaudited interim condensed financial statements for any dates prior to the consolidation has been amended to reflect this share consolidation. During the course of the year ended December 31, 2022, the Company purchased for cancellation a total of 771,100 shares (on a post-consolidated basis) for a total cost of \$146,458, including \$7,100 of transaction costs. This share repurchase was in accordance with the Company's Notice of Intention to make Normal Course Issuer Bid, as accepted by the TSX Venture Exchange on March 4, 2022.

14 Contributed Surplus

Contributed surplus consists of the equity portion of formerly convertible preferred shares, the value attributed to unexercised warrants, the value attributed to unexercised and forfeited stock options, and the transfer of five million dollars from the stated capital account of the common shares to the contributed surplus account.

15 Stock Options

The Company has a stock option plan for its directors, officers, employees and consultants. The maximum number of shares reserved for issuance under the plan is equal to 10% of the issued and outstanding common shares.

The following table represents all of the Company's stock options granted, exercised, forfeited, expired and outstanding during the nine months ended September 30, 2023 and September 30, 2022. All options and exercise prices have been adjusted for the share consolidation described in note 13.

	2023		2022	
		Exercise Price	Number of Options	Exercise Price
Balance, Beginning of Period	1,400,000	\$ 0.16	660,000	\$ 0.25
Granted		-	-	-
Forfeited		-	-	-
Balance, End of Period	1,400,000	\$ 0.16	660,000	\$ 0.25

On November 4, 2022, the Company granted 900,000 stock options to directors, which give the holder the right to acquire shares at \$0.11 per share. They vested immediately upon issuance and are exercisable on or before November 4, 2027.

The fair value of stock options granted was estimated as at the grant date using the Black-Scholes option pricing model with the following assumptions:

	2022
Risk-free interest rate	3.67%
Expected term of options	5 years
Volatility	166%
Stock price	\$0.15
Fair value per option	\$0.11

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
September 30, 2023 and December 31, 2022

15 Stock Options (cont'd)

For the nine months ended September 30, 2023, stock-based compensation expense was \$nil (2022 - \$nil). Stock-based compensation expense for 2023 would be recorded in the statement of comprehensive income as administrative costs with a corresponding credit to equity reserve.

As at September 30, 2023, the average remaining contractual life of outstanding options was approximately 2.9 years (December 31, 2022 – 3.6 years). A total of 500,000 options (December 31, 2022 - 500,000 options) are exercisable at a price of \$0.25 and a total of 900,000 options (December 31, 2022 - 900,000) are exercisable at a price of \$0.11.

16 Financial Instruments Fair Value and Risks

a) Fair Value

The carrying value of the Company’s financial instruments consisting of cash and cash equivalents, loan and accounts receivable and accounts payable and accrued charges approximates their fair value due to their immediate or short-term maturity. Investments are measured at fair value using Level 1 and Level 3 inputs described above.

Reconciliation of fair value measurement under Level 3 of the hierarchy for the nine months ended September 30,

	2023	2022
Opening balance	\$ -	\$ 76,800
Purchases	-	-
Sales	-	-
Transfers	-	-
Remeasurements recognized in OCI	-	-
Closing balance	<u>\$ -</u>	<u>\$ 76,800</u>

The Company measures the subordinated convertible promissory note as described in note 5 at level 3 of the fair value hierarchy.

b) Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and accounts receivable.

Cash and cash equivalents are maintained at a major financial institution. Deposits and short-term investments held with a bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with a financial institution of reputable credit and therefore bear minimal credit risk.

Credit risk from accounts receivable encompasses the default risk of customers. Credit risk on accounts receivable is minimized as a result of the constant review and evaluation of customer account balances. The Company also maintains an allowance for doubtful accounts at an estimated amount (if needed), to provide sufficient protection against losses resulting from collecting less than full payments from its receivables.

As at September 30, 2023, two major customers accounted for 56% and 16% of accounts receivable (December 31, 2022 – three major customers accounted for 54%, 14% and 11%).

The Company’s maximum credit exposure is represented by the carrying amount of accounts receivable.

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
September 30, 2023 and December 31, 2022

16 Financial Instruments Fair Value and Risks (cont'd)

c) Foreign Currency Risk

The Company is exposed to currency risk due to a certain portion of the Company's sales and purchases being in U.S. currency, resulting in U.S. dollar accounts receivable and U.S dollar cash balances. In addition, the company has US dollar denominated investments. These activities result in exposure to fluctuations in foreign currency rates between the U.S. and Canadian dollar. The Company's sensitivity to these foreign currency fluctuations is such that a 10% strengthening or weakening of the U.S. dollar would result in a corresponding \$29,800 increase or decrease to the Company's income before taxes and \$8,457 to other comprehensive income for the period ended September 30, 2023. At September 30, 2023, the Company had net assets denominated in U.S. currency of USD \$282,967 (December 31, 2022 – USD \$371,872) translated into Canadian dollars as shown below. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

	September 30, 2023	December 31, 2022
Cash	\$ 70,735	\$ 238,404
Accounts receivable	206,983	205,097
Loan receivable	20,280	20,316
Investments	84,573	39,846
	\$ 382,571	\$ 503,663

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through regular monitoring of cash requirements by preparing short-term cash flow forecasts. The financing requirements are addressed through a combination of credit facilities and private placements.

The following are the contractual maturities of the Company's financial liabilities as at September 30, 2023.

	Due within 1 year	1 and 2 years	2 and 3 years	3 and 4 years	Due between 4 and 5 years	> 5 years	Total
Accounts payable and accrued charges	\$ 130,607	-	-	-	-	-	\$ 130,607
Principal repayments on lease	60,028	65,715	71,578	77,623	20,019	-	\$ 294,963
Interest payments on lease	8,191	6,277	4,186	1,914	102	-	\$ 20,670
Total	\$ 198,826	71,992	75,764	79,537	20,121	-	\$ 446,240

e) Market Risk

The Company is exposed to market risk through its financial instruments and especially to price risk from its investing activities. It is the risk that the fair value and future cash flows of its investments will fluctuate because of market factors. Management monitors its investments on a regular basis and uses the services of an investment adviser when needed. The Company's sensitivity to market risk is such that a 10% strengthening or weakening of its portfolio would result in a respective \$9,493 increase or decrease to the Company's other comprehensive income for the year ended September 30, 2023.

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
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17 Related Party Transactions

	Three months ended September 30, 2023		Nine months ended September 30, 2022	
Fees paid to a company of a key executive, included within administrative costs	\$	10,500	\$	23,000
Commissions paid to the President of the Company, included within selling costs	\$	13,739	\$	71,406
Salaries paid to the President of the Company, included within administrative costs	\$	6,154	\$	6,154
Interest earned on loan described in note 8, included in interest income	\$	276	\$	758

	September 30, 2023		December 31, 2022	
Interest accrual on loan described in note 8, included within accounts receivable	\$	1,217	\$	459
Commission payable to the President of the Company, included in accounts payable and accrued charges	\$	1,893	\$	12,349

These transactions were in the normal course of business and recorded at the exchange value established and agreed upon by the related parties.

18 Income Taxes

Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial statutory income taxes rate as a result of the following:

	Three months ended September 30, 2023		Nine months ended September 30, 2022	
Expected income tax expense at the combined Federal and provincial rate of 26.50% (2022 - 26.50%)	\$	28,733	\$	100,312
Increase (decrease) in income taxes resulting from: non-deductible permanent differences		(435)		(597)
Provision for Income Taxes	\$	28,298	\$	99,715

Major components of the income tax expense recorded on the income statements are as follows:

	2023		2022	
Current	\$	-	\$	-
Deferred		28,298		31,055
Provision for Income Taxes		28,298		31,055
Deferred taxes charged (credit) to OCI	\$	4,566	\$	(1,905)

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
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18 Income Taxes (cont'd)

The Company has deferred tax assets of \$99,225 (2022 - \$187,253). The significant components of the Company's deferred tax assets are as follows:

	September 30,	December 31
	2023	2022
Net operating losses carried forward	\$ 37,401	\$ 131,973
Equipment	16,650	19,626
Intangible assets	3,405	4,191
Financing cost	926	3,703
Right of use asset and lease liability	12,064	10,916
Unrealized capital gains related to OCI	28,779	16,844
Deferred Tax Asset	\$ 99,225	\$ 187,253

The Company has non-capital tax losses available in the amount of approximately \$141,136 (December 31, 2022 – \$497,811), which can be carried forward to be applied against future years' taxable income. These losses, if unused, will expire as follows:

2039	141,136
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19 Segmented Information

Sales are attributed to countries based on location of customer.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Canada	\$ 266,007	\$ 214,030	\$ 844,156	\$ 539,448
United States	250,075	247,965	859,815	613,084
Other	5,709	-	6,489	-
	\$ 521,791	\$ 461,995	\$ 1,710,460	\$ 1,152,532

In the nine months ended September 30, 2023, the Company derived 50% (2022 – 53%) of its revenue from sales to the United States. The Company's equipment is located in Canada.

In 2023, the Company derived sales from one customer in the United States amounting to 31% of the total sales revenue (2022 – three customers in the United States amounting to 37%, 9% and 14%).

20 Subsequent event

In connection with the NCIB program as described in note 13, the Company has purchased 26,500 common shares at a cost of \$6,745 as of the date of issuance of these unaudited interim condensed financial statements.

21 Reclassification of Prior Period Balances

Certain items in the comparative period have been reclassified to conform to current period presentation.