Spectra Products Inc.

Management Discussion and Analysis

Annual and Fourth Quarter Ended December 31, 2021

March 23, 2022

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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 fiscal period ended December 31, 2021. The financial statements have been prepared on the basis of International Financial Reporting Standards ("IFRS"). In this Management Discussion and Analysis all amounts, unless otherwise indicated, are expressed in Canadian dollars. This MD&A is written as of March 23, 2022.

Description of Business

Spectra Products Inc., (the "Company"), supplies wheel end safety products to the transportation industry. The current product line includes a visual brake stroke indicator, Brake Safe®, that permits vehicle drivers and maintenance to visually check the brake adjustment condition of a truck, trailer or bus equipped with an air brake system. The Company's Termin-8r® product is an Extreme pressure lubricant, penetrant and the number one product in the market for protecting Electrical Vehicle charging ports and charging stations which are prone to corrosion. Zafety Lug Lock® a product that prevents wheel-end lug nuts from loosening leading to wheel damage or wheel loss. The Company's products also include Hub Alert® a heat sensitive label that is applied to each wheel hub of trucks, trailers, buses and off-road vehicles to provide an early warning of critical temperature threshold levels. The Company has secured the exclusive licensing rights to manufacture and sell the Anti-Seize Cotter Pin™. The Anti-Seize Cotter Pin™ is a unique product that keeps clevis pins from seizing in slack adjusters. A seized clevis pin can cause brake binding and loss of brake force.

The company in 2021 signed a Reseller Agreement with Optimum Fleet Health, the leader in Predictive and Prescriptive maintenance solution, using Artificial Intelligence to reduce or eliminate unplanned repairs and downtime in the Transportation industry. The company is presenting the Optimum Fleet Health solution to its existing fleet customers and dealers in North America.

The Company's products are sold to the Transportation industry directly to "house account" fleets; through traditional transportation distributors and truck/trailer dealerships; and to trailer manufacturers in Canada and the United States.

Financial Instruments and Financial Risk Management

The Company 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 during 2021.

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 originated in United States dollars and are subject to fluctuations:

As at December 31, 2021

Net assets	$ 1,089,461
Revenue	$ 898,583
Expenses	$ 0

Foreign currency sensitivity analysis

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 $72,238 increase or decrease to the Company's income before taxes and $14,227 to other comprehensive income for the year ended December 31, 2021.

Interest rate risk
The Company is not exposed to any 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 December 31, 2021, three customers accounted for 81% of the Company's total trade receivables (December 31, 2020 - three, 74%):

	At Dec 31, 2021	**At Dec 31, 2020**
1-30 days	120,069	82,292
31-60 days	101,134	77,104
60+ days	13,502	0
Total trade receivables	234,705	159,396
Allowance for bad debts	0	0
Net trade receivables	234,705	159,396
Other receivables	11,949	10,500
Total receivables	246,654	169,896

For the year ended December 31, 2021, two customers accounted for 46% of the Company's revenue (December 31, 2020, two customers, 44% 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 business plan.

Fair Value
The Company's financial assets and liabilities are classified and measured as follows:
Cash is classified as financial asset measured at fair value through profit and loss. Accounts receivable are classified as financial assets measured at amortized cost. Investments in equity and subordinated convertible promissory note are classified at fair value through other comprehensive income. Accounts payable and accrued charges, loan payable, royalty debenture and preferred shares are classified as financial liabilities measured at amortized cost. Financial liabilities at amortized cost are recognized initially at fair value plus any directly attributable transaction costs and are subsequently recorded at amortized cost.

The carrying amount of cash, accounts receivable and accounts payable and accrued charges approximates fair value due to the short-term nature of these financial instruments. The carrying value of investments in equity and convertible debentures approximate fair value based on quoted prices in active market. The carrying value of the subordinated convertible promissory note is stated at cost because it is an investment in a private corporation. No information is available to determine fair value and it is management's opinion that due to the short-term nature of the investment, cost represents fair value.

Capital Disclosures
The Company's capital structure is comprised of shareholders' 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, and issue new 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 during 2021.

On December 29, 2021, following approval of a Special Resolution by the Company's shareholders, the Directors approved the stated capital account maintained in respect of the common shares of the Company be reduced by five million dollars and a corresponding increase be made to the contributed surplus account of the Company.

Financial Results
Selected Financial Information

The accompanying audited financial statements of the Company and all information in this report have been prepared by management and approved by the Board of Directors of the Company. The financial statements were prepared on the basis of "IFRS" and, where appropriate, reflect management's best estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the financial statements within reasonable limits of materiality. Financial and operating data elsewhere in this report are consistent with the information contained in the financial statements.

Internal Controls
To assist management in the discharge of these responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, that only valid and authorized transactions are executed, and that accurate, timely and comprehensive financial information is prepared.

The Board of Directors carries out its responsibility for the financial statements in this annual and quarterly report principally through its Audit Committee. A majority of the members of the Audit Committee are independent, non-management directors and all members of the Audit Committee are appointed by the Board of Directors. The Audit Committee meets with management and, where necessary, the external auditors to discuss the results of the annual audit examinations with respect to the adequacy of internal accounting controls and to review and discuss the financial statements and financial reporting matters.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth certain information for each of the eight most recent quarters, the most recent quarter being December 31, 2021.

QUARTERLY DATA

Canadian Dollars	Three-month period ending:							
	31.12.21	30.09.21	30.06.21	31.03.21	31.12.20	30.09.20	30.06.20	31.03.20
Revenue	390,083	421,848	391,237	489,704	408,867	343,882	305,351	535,926
Gross Profit	199,452	234,858	225,331	294,844	231,160	202,328	173,969	311,792
SG&A Expenses	104,740	103,696	105,767	208,116	116,354	78,811	97,459	127,067
Income taxes	(42,153)	(32,657)	(29,561)	(20,853)	(32,132)	(32,306)	(19,838)	(46,776)
Net income (loss) for the period	32,093	90,558	82,010	57,836	81,111	89,604	55,024	129,737
Other comprehensive income	(29,175)	(36,896)	(99,002)	(83,187)	247,986			
Total comprehensive income	2,918	53,662	(16,992)	(25,351)	329,097	89,604	55,024	129,737
Income (loss) per share								
basic	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
diluted	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Results of Operations

Revenue:
Three months ended December 31, 2021
Revenue for the three months ended December 31, 2021 decreased by 5 percent to $390,083 compared to revenue of $408,867 for the three-month period ended December 31, 2020.

Year ended December 31, 2021
Revenue for the year ended December 31, 2021 increased by 6 percent to $1,692,872 compared to revenue of $1,594,026 for the comparable period ended December 31, 2020.

Gross Profit
Three months ended December 31, 2021
Gross profit decreased by 14% for the three months ended December 31, 2021 to $199,452 or 51 percent of revenue from a comparable $231,160 or 57 percent of revenue for the three months ended December 31, 2020.

Year ended December 31, 2021
Gross profit increased by 4% for the year ended December 31, 2021 to $954,485 or 56 percent of revenue from a comparable $919,249 or 58 percent of revenue for the year ended December 31, 2020.

Expenses:
Three months ended December 31, 2021

The Company has elected to present its statement of earnings utilizing a functional basis of classification in accordance with IAS 1. Under the functional classification of presentation, the expenses are classified based on their functions within the Company under specific headings.

Selling costs
Selling costs are comprised of the following categories:

- Commissions
- Travel and courier
- Trade shows
- Advertising and promotion

For the quarter ended December 31, 2021, selling costs were $25,972, $1,918 lower than the comparable costs of $27,890 for the quarter ended December 31, 2020. The decrease was due to lower commissions, lower travel costs and lower trade show costs.

Administrative costs
Administrative costs are comprised of the following categories:

- Management fees and salaries
- Professional fees
- Insurance
- Premises cost
- Interest and bank charges
- Office and general
- Stock based compensation

For the quarter ended December 31, 2021, administrative costs were $78,768, $2,473 lower than the comparable costs of $81,241 for the quarter ended December 31, 2020. The decrease was due to a reduction of most costs as a result of reduced commercial activity.

Finance costs
Finance costs are comprised of the following categories:

- Debenture royalty
- Interest on long-term debt
- Accretion of discount on debt
- Amortization of financing costs

For the quarter ended December 31, 2021, finance costs were $1,380, $183 lower than the comparable costs of $1,563 for the quarter ended December 31, 2020.

Year ended December 31, 2021

The Company has elected to present its statement of earnings utilizing a functional basis of classification in accordance with IAS 1. Under the functional classification of presentation, the expenses are classified based on their functions within the Company under specific headings.

Selling costs
Selling costs are comprised of the following categories:

- Commissions
- Travel and courier
- Trade shows
- Advertising and promotion

For the year ended December 31, 2021, selling costs were $108,074, $1,624 lower than the comparable costs of $109,698 for the year ended December 31, 2020. The decrease was due to lower travel costs and lower trade show costs.

Administrative costs
Administrative costs are comprised of the following categories:

- Management fees and salaries
- Professional fees
- Insurance
- Premises cost
- Interest and bank charges
- Office and general
- Stock based compensation

For the year ended December 31, 2021, administrative costs were $414,245, $124,516 higher than the comparable costs of $289,729 for the year ended December 31, 2020. The increase was due to a $28,000 reduction in government payroll subsidies and to stock-based compensation of $83,980 in 2021with no comparable cost in 2020

Finance costs
Finance costs are comprised of the following categories:

- Debenture royalty
- Interest on long-term debt
- Accretion of discount on debt
- Amortization of financing costs

For the year ended December 31, 2021, finance costs were $5,798, $712 lower than the comparable costs of $6,510 for the year ended December 31, 2020.

Net income
Three months ended December 31, 2021
The net income for the three months ended December 31, 2021 was $32,093 compared to net income of $81,111 for the three months ended December 31, 2020.

Year ended December 31, 2021
The net income for the year ended December 31, 2021 was $262,497 compared to net income of $355,476 for the year ended December 31, 2020.

Other Comprehensive Income
Three months ended December 31, 2021
Other comprehensive loss for the three months ended December 31, 2021 was $29,175. This represented unrealized losses on investments of $32,808, net of deferred tax recovery of $3,633. Other comprehensive gain for the three months ended December 31, 2020 was $247,986. This represented unrealized gains on investments of $285,041, net of deferred tax of $37,055.

Year ended December 31, 2021
Other comprehensive loss for the year ended December 31, 2021 was $248,260. This represented a realized gain of $1,460 and unrealized losses on investments of $286,817, net of deferred tax of $37,097. Other comprehensive gain for the year ended December 31, 2020 was $247,986. This represented unrealized gains on investments of $285,041, net of deferred tax of $37,055.

Total Comprehensive Income
Three months ended December 31, 2021
Total Comprehensive Income for the three months ended December 31, 2021 was $2,918 or $0.00 per share basic and fully diluted compared to net income of $329,097 or $0.00 per share basic and fully diluted for the three months ended December 31, 2020.

Year ended December 31, 2021
Total Comprehensive Income for the year ended December 31, 2021 was $14,237 or $0.00 per share basic and fully diluted compared to net income of $603,462 or $0.01 per share basic and fully diluted for the year ended December 31, 2020.

Investments
As at December 31, 2021, the company had the following investments:

Name	# of shares	Value ($)
Immunoprecise Antibodies	17,647	121,588
The Miso Brother Inc - US$60,000 Promissory Note ****	60,000	75,600
Agex Therapeutics	10,000	13,734
Lineage Cell Thereapeutics	15,000	46,305
Unity Biotechnology	12,000	22,075
Resonant	10,000	21,546
Cross Border Capital	10,000	1,450
Far Resources Ltd	100,000	28,000
Total investments		330,298

** This promissory note matures on September 20, 2022 and bears interest at 15% payable at maturity.

Statement of Financial Position:

Total Assets
Total assets as at December 31, 2021 were $2,063,742 an increase of 6 percent from $1,948,485, as at December 31, 2020.

Total Liabilities
Total liabilities as at December 31, 2021 were $300,524, an increase of 6 percent from $283,484 as at December 31, 2020.

Liquidity and Cash Flow
Year ended December 30, 2021
During the year ended December 31, 2021, the operating activities of the Company provided $434,738 in net cash compared to a net cash contribution from operating activities of $501,909 during the same period in 2020. In 2021 non-cash items increased cash contribution by $479,783 for the period compared to non-cash items reduced cash contribution by $83,640 for the year ended December 31, 2020.

These resulted in a net increase in cash resources of $307,721 and a cash resources balance at the end of the period of $877,547. During the equivalent period in 2020, the Company showed a net increase in cash resources of $438,997 and a cash resources balance of $569,826 at the end of the period.
As well as the cash resources the Company had, at December 31, 2021, investments valued at $330,298 compared to $513,021 at December 31, 2020. This resulted in short term cash and investments of $1,207,845 at December 31, 2021, compared to an equivalent amount of $1,082,847 at December 31, 2020.

Related Party Transactions
During the year ended December 31, 2021, management fees and salaries totaling $139,538 were paid to executives who were directors and/or shareholders or to companies controlled by them.

On July 18, 2021, the Company advance a US$15,000 loan to the Company's President. This loan is due for repayment on July 19, 2022 together with interest at 5%.

Off Balance Sheet Arrangements
As at December 31, 2021, the Company does not have any material off balance sheet arrangements.

Disclosure Controls and Procedures
The Directors and the President of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the fourth quarter of 2021 and they have concluded that

such disclosure controls and procedures are adequate and effective and are subject to regular review and update.

Segmented information
The Company operates in only one business segment and therefore does not report financial results on a segmented basis.

Outstanding Share Data
The Company's authorized share capital consists of an unlimited number of common shares; an unlimited amount of first, second, third and fourth preferred shares and 540,000 second preferred shares, Series 1.

As at December 31, 2021, there were 77,109,971 outstanding common shares. As at December 31, 2021, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company.

Designation of security	**Number outstanding.**	**If convertible, exercisable or exchangeable for common shares, maximum number of common shares issuable.**
Common shares	77,109,971	77,109,971
Stock options issued as at December 31, 2020	1,600,000	1,600,000
Stock options issued from January 1, 2021 to December 31, 2021	1,700,000	1,700,000
Total (maximum number of shares – fully diluted)	80,409,971	80,409,971

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 the issued and outstanding common shares, with a maximum term of five years, fully vesting at the date of grant. The fair value of stock-based compensation is determined using the Black-Scholes option-pricing model. Compensation expense is recognized over the stock option vesting period with a corresponding charge to contributed surplus.

	Options Granted	**Weighted Exercise Price**	**Grant Date Weighted Price**
Balance December 31, 2020	1,600,000	0.05	0.000
Granted	1,700,000	0.05	0.000
Expired during the year	0	0.00	0.000
Balance December 31, 2021	3,300,000	0.05	0.000

As at December 31, 2021, there were 3,300,000 outstanding options to acquire common shares (1,600,000 at the end of fiscal 2020).

As at December 31, 2021, there were no outstanding warrants.

DIVIDEND POLICY
The Company does not currently have a policy of declaring or paying dividends on its common shares and preference shares. The Company intends to retain future earnings for use in its business and does not anticipate paying dividends in the foreseeable future.

OUTLOOK
While, as a result of the COVID-19 virus, the slow-down in the various market segments has reduced the Company's revenue levels, it was still able to remain profitable in the fourth quarter. The Company has strong cash reserves and is well positioned to maintain operations, albeit at reduced levels of revenue and profitability, until market levels return to normal.

The Company continues to focus its efforts on expanding the present market for its products while introducing those products into new markets as well as seeking out new products to complement our current wheel end safety offerings.

The Company's Signature Brake Safe® product is well established in the Canadian market and is gaining sales momentum in the lucrative American market. The Commercial Vehicle Safety Alliance [CVSA] is a nonprofit association comprised of local, state, provincial, territorial and federal commercial motor vehicle safety officials and industry representatives. The CVSA holds brake-focused enforcement events throughout the year to identify and remove commercial vehicles with dangerous brake issues from the roadways. Brakes out of adjustment continue to be the number one out service violation in North America as evidenced last year during International Roadcheck and Operation Air Brake.

A program has been developed to educate companies of these enforcement changes and the resulting increased intervention by regulatory agencies in order to capitalize on sales opportunities for Brake Safe.

The Company's Termin-8R® product is the number one product in the market for protecting Electrical Vehicle charging ports and charging stations. Termin-8R continues to receive strong industry acceptance with a corresponding growth in sales to the transportation segment. The private label arrangement made for a leading supplier to the commercial transport industry is proving to be an excellent performer.

The Company will continue to form strategic distribution alliances in the United Sates to accelerate its wheel end safety product sales outside the Canadian marketplace.

FORWARD LOOKING STATEMENTS

The preceding MD&A provides a summary of the audited financial information of the Company contained therein. This discussion contains forward-looking statements that involve certain risks and uncertainties, which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of marketing and sales activities; fluctuations in the value of Canadian dollars relative to other currencies; changes in labor costs or other costs of production including raw materials; delays in financing activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.