SPECTRA PRODUCTS INC.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

CONTENTS

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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
June 30, 2024 and December 31, 2023

	Note		June 30 2024		December 31 2023
ASSETS					
Current					
Cash and cash equivalents		**$**	**327,851**	$	1,234,382
Loan receivable	7		**11,669**		11,276
Investments	4		**961,285**		79,603
Accounts Receivable	5		**319,929**		232,810
Inventories	6		**328,361**		299,369
Prepaid expenses			**34,662**		13,387
			1,983,757		1,870,827
Deferred Tax Asset	16		**39,799**		67,643
Right-of-use Asset	8		**206,862**		236,413
Total Assets		**$**	**2,230,418**	$	2,174,883
LIABILITIES					
Current					
Accounts payable and accrued charges	9	**$**	**178,645**	$	65,293
Lease liability - current portion	10		**64,277**		61,434
			242,922		126,727
Lease Liability	10		**186,074**		219,399
			428,996		346,126
SHAREHOLDERS' EQUITY					
Share Capital	11		**625,507**		711,549
Contributed Surplus	12		**5,274,096**		5,274,096
Equity Reserve	13		**258,910**		258,910
Accumulated Other Comprehensive Loss			**(229,656)**		(211,338)
Accumulated Deficit			**(4,127,435)**		(4,204,460)
Total Shareholders' Equity			**1,801,422**		1,828,757
Total Liabilities and Shareholders' Equity		**$**	**2,230,418**	$	2,174,883

APPROVED ON BEHALF OF THE BOARD

"Andrew J. Malion"
Chairman

"Aidan Bolger"
Director

(The accompanying notes are an integral part of these interim condensed financial statements.)

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Changes in Shareholders' Equity
Six months ended June 30, 2024 and 2023

	Share capital	Contributed surplus	Equity reserve	Accumulated Other comprehensive income (OCI)	Accumulated deficit	Total shareholders' equity
Balance, January 01, 2024	$ 711,549	$ 5,274,096	$ 258,910	$ (211,338)	$ (4,204,460)	$ 1,828,757
Total comprehensive income	-	-	-	(18,318)	77,025	58,707
Purchase of common shares for cancellation	(86,042)	-	-	-	-	(86,042)
Balance, June 30, 2024	$ 625,507	$ 5,274,096	$ 258,910	$ (229,656)	$ (4,127,435)	$ 1,801,422

	Share capital	Contributed surplus	Equity reserve	Other comprehensive	Accumulated deficit	shareholders' equity
Balance, January 01, 2023	$ 791,261	$ 5,274,096	$ 258,910	$ (90,722)	$ (4,489,103)	$ 1,744,442
Total comprehensive income	-	-	-	(46,618)	198,692	152,074
Purchase of common shares for cancellation	(16,308)	-	-	-	-	(16,308)
Balance, June 30, 2023	$ 774,953	$ 5,274,096	$ 258,910	$ (137,340)	$ (4,290,411)	$ 1,880,208

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Comprehensive Income
Three and six months ended June 30, 2024 and 2023

	Three months ended June 30, **2024**	2023	Six months ended June 30, **2024**	2023
Sales	**$ 435,268**	$ 655,347	**$ 872,887**	$ 1,188,669
Cost of Sales	**232,492**	355,373	**472,104**	632,474
Gross Profit	**202,776**	299,974	**400,783**	556,195
Expenses				
Administrative costs (note 15)	**127,308**	89,157	**255,350**	185,691
Selling costs (note 15)	**26,271**	36,676	**40,188**	69,613
Finance costs	**1,991**	2,432	**4,099**	4,970
Amortization	**14,776**	14,776	**29,552**	29,552
	170,346	143,041	**329,189**	289,826
Other Income (Loss)				
Foreign exchange gain (loss)	**3,263**	(4,846)	**11,061**	(9,070)
Interest income (note 15)	**11,367**	8,469	**22,214**	12,810
	14,630	3,623	**33,275**	3,740
Income Before Taxes	**47,060**	160,556	**104,869**	270,109
Deferred income taxes (note 16)	**12,497**	42,574	**27,844**	71,417
Net Income	**34,563**	117,982	**77,025**	198,692
Other Comprehensive Income:				
Items that will not be reclassified through profit and loss:				
Realized gains on investments net of tax of $nil	**-**	-	**-**	-
Unrealized gain (loss) on investments net of deferred tax of 3mth - $nil; 6mth - $nil (2022 - 3mth $(83); 6mth $7,120)	**(22,052)**	543	**(18,318)**	(46,618)
	(22,052)	543	**(18,318)**	(46,618)
Total Comprehensive Income	**$ 12,511**	$ 118,525	**$ 58,707**	$ 152,074
Net Income per Share - Basic	**$** 0.00	$ 0.01	**$** 0.01	$ 0.01
Net Income per Share - Diluted	**$** 0.00	$ 0.01	**$** 0.00	$ 0.01
Weighted Average Number of Common Shares				
Outstanding during the year - basic	**14,040,280**	14,606,406	**14,133,010**	14,628,773
Outstanding during the year - diluted	**15,440,280**	16,006,406	**15,533,010**	16,028,773

(The accompanying notes are an integral part of these interim condensed financial statements.)

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Cash Flows
Three and six months ended June 30, 2024 and 2023

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Cash Flows from Operating Activities				
Total comprehensive income	**$ 12,511**	$ 118,525	**$ 58,707**	$ 152,074
Adjustments for:				
Deferred taxes	**12,497**	42,574	**27,844**	71,417
Finance costs	**1,991**	2,432	**4,099**	4,970
Loss (gain) on investments (net of deferred tax)	**22,052**	(543)	**18,318**	46,618
Foreign exchange gain (loss) on long-term loan receivable	**(132)**	440	**(393)**	456
Amortization	**14,776**	14,776	**29,552**	29,552
	63,695	178,204	**138,127**	305,087
Changes in:				
Accounts receivable	**(95,861)**	(83,541)	**(87,119)**	(8,689)
Loan receivable	**-**	-	**-**	-
Inventories	**(67,363)**	(48,741)	**(28,992)**	(56,154)
Prepaid expenses	**14,900**	11,124	**(21,275)**	(4,292)
Accounts payable and accrued charges	**47,429**	83,179	**113,351**	(135,492)
	(100,895)	(37,979)	**(24,035)**	(204,627)
Cash used in operating activities:				
Interest paid	**(1,991)**	(2,432)	**(4,099)**	(4,970)
Net Cash Provided by (Used in) Operating Activities	**(39,191)**	137,793	**109,993**	95,490
Cash Flows from Investing Activities				
Purchase of investments	**-**	-	**(900,000)**	-
Proceeds from sale of investments	**-**	-	**-**	-
Net Cash Used in Investing Activities	-	-	**(900,000)**	-
Cash Flows from Financing Activities				
Repayment of lease liability	**(15,299)**	(13,915)	**(30,482)**	(27,724)
Purchase of common shares for cancellation	**(35,868)**	(16,308)	**(86,042)**	(16,308)
Net Cash Used in Financing Activities	**(51,167)**	(30,223)	**(116,524)**	(44,032)
Net Increase (Decrease) in Cash	**(90,358)**	107,570	**(906,531)**	51,458
Cash and Cash Equivalents - Beginning of Period	**418,209**	1,016,955	**1,234,382**	1,073,067
Cash and Cash Equivalents - End of Period	$ **327,851**	$ 1,124,525	$ **327,851**	$ 1,124,525
Cash	**$ 327,851**	$ 424,525	**$ 327,851**	$ 424,525
Cash equivalents	**-**	700,000	**-**	700,000
Cash and Cash Equivalents	$ **327,851**	$ 1,124,525	$ **327,851**	$ 1,124,525

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. It is also an authorized reseller of industry-leading predictive and prescriptive AI-based maintenance software. 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 August 20, 2024.

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 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, 2023, 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, 2023.

a) Revenue recognition and recognition of profit on contracts

The Company recognizes commission on reselling software on a net basis, net of any downstream commission it pays.

b) Financial instruments

Investments in guaranteed investment certificates (GICs) for durations longer than 3 months are classified as financial assets at amortized cost.

3 Capital Structure

The capital structure of the Company consists principally of shareholders' equity comprised of deficit, contributed surplus, equity reserve, other comprehensive income 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.

3 Capital Structure (cont'd)

The components of capital are as follows:

		June 30, 2024		December 31, 2023
Share capital	**$**	**625,507**	$	711,549
Contributed surplus		**5,274,096**		5,274,096
Equity reserve		**258,910**		258,910
Accumulated other comprehensive loss		**(229,656)**		(211,338)
Accumulated deficit		**(4,127,435)**		(4,204,460)
	$	**1,801,422**	$	1,828,757

4 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.

		June 30, 2024		December 31, 2023
Marketable securities	**$**	**61,285**	$	79,603
Guaranteed investment certificate		**900,000**	`	-
	$	**961,285**	$	79,603

5 Accounts Receivable

		June 30, 2024		December 31, 2023
Trade receivables	**$**	**280,210**	$	215,400
Government remittances receivable		**22,488**		12,333
Interest receivable (note 15)		**17,231**		5,077
	$	**319,929**	$	232,810

At June 30, 2024 based on the Company's experience, there was $nil allowance for doubtful accounts (December 31, 2023 - $nil).

6 Inventories

		June 30, 2024		December 31, 2023
Finished goods	**$**	**250,889**	$	253,326
Raw materials		**77,472**		46,043
	$	**328,361**	$	299,369

7 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. During 2023, the loan was partially repaid in the amount of USD $6,475 for a remaining balance of USD $8,525. On April 25, 2024, the maturity date of the loan was further extended by the Board of Directors to July 19, 2025. At June 30, 2024, the Canadian dollar converted value of this loan is $11,669 (December 31, 2023 - $11,276).

8 Right-of-use Asset

		June 30, 2024		December 31, 2023
Cost	**$**	**443,809**	$	443,809
Less: Accumulated amortization		**(236,947)**		(207,396)
	$	**206,862**	$	236,413

9 Accounts Payable and Accrued Charges

		June 30, 2024		December 31, 2023
Trade and other payables	**$**	**103,044**	$	1,287
Accrued expenses (note 15)		**69,358**		52,347
Government remittances payable		**6,243**		11,659
	$	**178,645**	$	65,293

10 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.

		June 30, 2024		December 31, 2023
Lease liability	**$**	**250,351**	$	280,833
Less: current portion		**(64,277)**		(61,434)
Long-term portion	**$**	**186,074**	$	219,399

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		**2024**		2023
Principal repayment of lease liability	**$**	**15,299**	$	13,915	**$**	**30,482**	$	27,724
Interest expense		**1,991**		2,432		**4,099**		4,970
Total lease payments made	**$**	**17,290**	$	16,347	**$**	**34,581**	$	32,694

11 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

Issued and outstanding		**June 30, 2024**		December 31, 2023
13,948,895 issued (2023 – 14,650,895) common shares				
13,948,895 outstanding (2023 – 14,312,395) common shares	**$**	**625,507**	$	711,549

11 Share Capital (cont'd)

During the course of the year ended December 31, 2023, the Company purchased for cancellation a total of 338,500 shares for a total cost of $79,712, including $3,125 of transaction costs. During the three months ended March 31, 2024, the Company purchased an additional 206,500 shares at a total cost of $50,174. These share repurchases were in accordance with the Company's Notice of Intention to make Normal Course Issuer Bid, as accepted by the TSX Venture Exchange on March 23, 2023.

In March 2024, all 545,000 shares purchased as described above were cancelled.

As of April 3, 2024, 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 705,294 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 14,105,895 common shares outstanding as at the date above. The NCIB commenced on April 8, 2024 and will terminate on April 7, 2025 or at such earlier time as the NCIB is completed or terminated at the option of the Company. As of June 30, 2024, 157,000 shares have been repurchased under this NCIB allowance.

12 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.

13 Equity Reserve

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 six months ended June 30, 2024 and June 30, 2023. All options and exercise prices have been adjusted for the share consolidation described in note 11.

	2024					2023
			Weighted Exercise Price	Number of Options		Weighted Exercise Price
Balance, Beginning of Period	**1,400,000**	**$**	**0.16**	1,400,000	$	0.16
Granted			-	-		-
Forfeited			-	-		-
Balance, End of Period	**1,400,000**	**$**	**0.16**	1,400,000	$	0.16

For the period ended June 30, 2024, stock-based compensation expense was $nil (2023 - $nil). Stock-based compensation expense for 2024 would be recorded in the statement of comprehensive income as administrative costs with a corresponding credit to equity reserve.

As at June 30, 2024, the average remaining contractual life of outstanding options was approximately 2.1 years (December 31, 2023 – 2.6 years). A total of 500,000 options (December 31, 2023 - 500,000 options) are exercisable at a price of $0.25 and a total of 900,000 options (December 31, 2023 - 900,000) are exercisable at a price of $0.11.The 900,000 options with an exercise price of $0.11 expire on November 4, 2027. The remaining 500,000 options are comprised of 260,000 options that expire on October 15, 2024 and 240,000 options that expire on March 17, 2026.

14 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.

The Company does not measure any assets 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 June 30, 2024, two major customers accounted for 51% and 16% of accounts receivable (December 31, 2023 – two major customers accounted for 52% and 13%).

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

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 $18,345 increase or decrease to the Company's income before taxes and $6,084 to other comprehensive income for the period ended June 30, 2024. At June 30, 2024, the Company had net assets denominated in U.S. currency of USD $178,481 (December 31, 2023 – USD $282,910) 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.

	June 30, 2024	December 31, 2023
Cash	**$ 16,082**	$ 116,730
Accounts receivable	**155,702**	164,755
Loan receivable	**11,669**	19,839
Investments	**60,835**	72,853
	$ 244,288	$ 374,177

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

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 June 30, 2024.

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due between 3 and 4 years	Total
Accounts payable and accrued charges	$ 178,645	$ -	$ -	$ -	$ 178,645
Principal repayments on lease liability	64,277	70,096	82,699	33,279	$ 250,351
Interest payments on lease liability	6,772	4,726	2,601	255	$ 14,354
Total	$ 249,694	$ 74,822	$ 85,300	$ 33,534	$ 443,350

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 $6,129 increase or decrease to the Company's other comprehensive income for the six months ended June 30, 2024.

15 Related Party Transactions

	Three months ended June 30, **2024**	Three months ended June 30, 2023	Six months ended June 30, **2024**	Six months ended June 30, 2023
Fees paid to a company of a key executive, included within administrative costs	**$ 15,000**	$ 11,000	**$ 27,000**	$ 23,000
Commissions and salaries paid to the President of the Company, included within selling costs and administrative costs	**$ 26,403**	$ 31,908	**$ 54,060**	$ 57,667
Interest earned on loan described in note 7, included in interest income	**$ 148**	$ 232	**$ 293**	$ 482

	June 30, 2024	December 31, 2023
Interest accrual on loan described in note 7, included within Accounts Receivable	**$ 340**	$ 47
Commission payable to the President of the Company, included in accounts payable and accrued charges	**$ 3,176**	$ 2,178

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

16 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 June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Expected income tax expense at the combined Federal and provincial rate of 26.50% (2023 - 26.5%)	**$ 12,471**	$ 42,548	**$ 27,791**	$ 71,579
Increase (decrease) in income taxes resulting from: Non-deductible permanent differences	**26**	26	**53**	(162)
Provision for Income Taxes	**$ 12,497**	$ 42,574	**$ 27,844**	$ 71,417

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

	2024	2023	**2024**	2023
Current	**$ -**	$ -	**$ -**	$ -
Deferred	**12,497**	42,574	**27,844**	71,417
Provision for Income Taxes	**12,497**	42,574	**27,844**	71,417
Deferred taxes charged (credit) to OCI	**$ -**	$ 83	**$ -**	$ (7,120)

The Company has deferred tax assets of $39,799 (2023 - $67,643). The significant components of the Company's deferred tax assets are as follows:

	June 30, 2024	December 31 2023
Net operating losses carried forward	**$ 11,447**	$ 37,070
Equipment	**14,078**	15,658
Intangible assets	**2,750**	3,143
Financing cost	**-**	-
Right of use asset and lease liability	**11,524**	11,771
Unrealized capital gains related to OCI	**-**	-
Deferred Tax Asset	**$ 39,799**	$ 67,643

The Company has non-capital tax losses available in the amount of approximately $43,195 (December 31, 2023 – $139,888), which can be carried forward to be applied against future years' taxable income. These losses, if unused, will expire as follows:

2039	$ 43,195

17 Segmented Information

Sales are attributed to countries based on location of customer.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	**2024**	2023
Canada	**$ 234,739**	$ 301,940	**$ 488,347**	$ 569,772
United States	**180,895**	347,530	**366,007**	607,069
Other	**19,634**	5,877	**18,533**	11,828
	$ 435,268	$ 655,347	**$ 872,887**	$ 1,188,669

In the six months ended June 30, 2024, the Company derived 42% (2023 – 51%) of its revenue from sales to the United States. The Company's equipment is located in Canada.

In 2024, the Company derived sales from one customer in the United States amounting to 31% of the total sales revenue (2023 – one customer in the United States amounting to 26%).

18 Subsequent event

In connection with the NCIB program as described in note 11, the Company has purchased 20,500 common shares at a cost of $4,100 as of the date of issuance of these unaudited interim condensed financial statements.