SPECTRA PRODUCTS INC.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2025 AND 2024

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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 statemnents 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
March 31, 2025 and December 31, 2024

	Note	March 31 2025	December 31 2024
ASSETS			
Current			
Cash and cash equivalents		**$ 1,482,222**	$ 1,390,325
Loan receivable	7	**12,256**	12,267
Investments	4	**28,800**	31,232
Accounts receivable	5	**304,412**	282,625
Inventories	6	**267,476**	231,347
Prepaid expenses		**40,826**	21,894
		2,135,992	1,969,690
Deferred Tax Asset	16	**24,746**	26,007
Right-of-use Asset	8	**162,534**	177,310
Total Assets		**$ 2,323,272**	$ 2,173,007
LIABILITIES			
Current			
Accounts payable and accrued charges	9	**$ 228,548**	$ 129,601
Taxes payable	16	**35,523**	15,261
Lease liability - current portion	10	**68,624**	67,164
		332,695	212,026
Lease Liability	10	**134,176**	152,235
		466,871	364,261
SHAREHOLDERS' EQUITY			
Share Capital	11	**572,874**	582,379
Contributed Surplus	12	**5,345,726**	5,345,726
Equity Reserve	13	**187,280**	187,280
Accumulated Other Comprehensive Loss		**(262,141)**	(259,709)
Accumulated Deficit		**(3,987,338)**	(4,046,930)
Total Shareholders' Equity		**1,856,401**	1,808,746
Total Liabilities and Shareholders' Equity		**$ 2,323,272**	$ 2,173,007

APPROVED ON BEHALF OF THE BOARD

"Andrew J. Malion" — Chairman

"Robert Moran" — 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
Three months ended March 31, 2025 and 2024

	Share capital	Contributed surplus	Equity reserve	Accumulated Other comprehensive income (OCI)	Accumulated deficit	Total shareholders' equity
Balance, January 01, 2025	$ 582,379	$ 5,345,726	$ 187,280	$ (259,709)	$ (4,046,930)	$ 1,808,746
Total comprehensive income	-	-	-	(2,432)	59,592	57,160
Purchase of common shares for cancellation	(9,505)	-	-	-	-	(9,505)
Balance, March 31, 2025	$ 572,874	$ 5,345,726	$ 187,280	$ (262,141)	$ (3,987,338)	$ 1,856,401

	Share capital	Contributed surplus	Equity reserve	Accumulated Other comprehensive income (OCI)	Accumulated deficit	Total shareholders' equity
Balance, January 02, 2024	$ 711,549	$ 5,274,096	$ 258,910	$ (211,338)	$ (4,204,460)	$ 1,828,757
Total comprehensive income	-	-	-	3,734	42,463	46,197
Purchase of common shares for cancellation	(50,174)	-	-	-	-	(50,174)
Balance, March 31, 2024	$ 661,375	$ 5,274,096	$ 258,910	$ (207,604)	$ (4,161,997)	$ 1,824,780

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Comprehensive Income
Three months ended March 31, 2025 and 2024

		2025		2024
Sales	**$**	**484,392**	$	437,618
Cost of Sales		**250,720**		239,612
Gross Profit		**233,672**		198,006
Expenses				
Administrative costs (note 15)		**131,285**		128,041
Selling costs (note 15)		**15,035**		13,917
Finance costs		**1,634**		2,108
Amortization		**14,776**		14,776
		162,730		158,842
Other Income (Loss)				
Foreign exchange gain (loss)		**2,063**		7,799
Interest income (note 15)		**8,109**		10,847
		10,172		18,646
Income Before Taxes		**81,114**		57,810
Current income taxes (note 16)		**20,261**		15,347
Deferred income taxes (note 16)		**1,261**		-
Net Income		**59,592**		42,463
Other Comprehensive Income:				
Items that will not be reclassified through profit and loss:				
Unrealized loss on investments net of deferred tax		**(2,432)**		3,734
Total Comprehensive Income	**$**	**57,160**	$	46,197
Net Income per Share - Basic & Diluted	**$**	0.00	$	0.00
Weighted Average Number of Common Shares				
Outstanding during the period - basic		**13,729,678**		14,225,741
Outstanding during the period - diluted		**14,629,678**		15,625,741

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

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Cash Flows
Three months ended March 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Total comprehensive income	**$ 57,160**	$ 46,197
Adjustments for:		
Deferred taxes	**1,261**	15,347
Finance costs	**1,634**	2,108
Loss (gain) on investments (net of deferred tax)	**2,432**	(3,734)
Foreign exchange gain (loss) on long-term loan receivable	**11**	(261)
Amortization	**14,776**	14,776
	77,274	74,433
Changes in:		
Accounts receivable	**(21,787)**	8,742
Inventories	**(36,129)**	38,371
Prepaid expenses	**(18,932)**	(36,175)
Accounts payable and accrued charges	**98,947**	65,921
Taxes payable	**20,262**	
	42,361	76,859
Cash used in operating activities:		
Interest paid	**(1,634)**	(2,108)
Net Cash Provided by (Used in) Operating Activities	**118,001**	149,184
Cash Flows from Investing Activities		
Purchase of investments	**-**	(900,000)
Net Cash Provided by Investing Activities	**-**	(900,000)
Cash Flows from Financing Activities		
Repayment of lease liability	**(16,599)**	(15,183)
Purchase of common shares for cancellation	**(9,505)**	(50,174)
Net Cash Used in Financing Activities	**(26,104)**	(65,357)
Net Increase (Decrease) in Cash	**91,897**	(816,173)
Cash and Cash Equivalents - Beginning of Period	**1,390,325**	1,234,382
Cash and Cash Equivalents - End of Period	$ **1,482,222**	$ 418,209
Cash	**1,482,222**	418,209
Cash equivalents	**-**	0
Cash and Cash Equivalents	$ **1,482,222**	$ 418,209

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

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 is incorporated under the Alberta Business Corporations Act and 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. The Company trades on the TSX-Venture exchange under the symbol SSA.

These unaudited interim condensed financial statements were authorized for issuance by the Company’s Board of Directors on April 25, 2025.

The 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, 2024.

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, 2024.

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:

		March 31, 2025		December 31, 2024
Share capital	**$**	**572,874**	$	582,379
Contributed surplus		**5,345,726**		5,345,726
Equity reserve		**187,280**		187,280
Accumulated other comprehensive loss		**(262,141)**		(259,709)
Accumulated deficit		**(3,987,338)**		(4,046,930)
	$	**1,856,401**	$	1,808,746

4 Investments

Investments in the amount of $28,800 comprise marketable securities stated at fair value.

5 Accounts Receivable

		March 31, 2025		December 31, 2024
Trade receivables	**$**	**255,551**	$	261,720
Government remittances receivable		**25,250**		5,404
Interest receivable (note 15)		**23,611**		15,501
	$	**304,412**	$	282,625

At March 31, 2025 based on the Company's experience, there was $nil allowance for doubtful accounts (December 31, 2024 - $nil).

6 Inventories

		March 31, 2025		December 31, 2024
Finished goods	**$**	**205,225**	$	178,539
Raw materials		**62,251**		52,808
	$	**267,476**	$	231,347

7 Loan Receivable

On July 19, 2021, the Company advanced USD $15,000 to the Company's President, Andrew Malion. 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 March 31, 2025, the Canadian dollar converted value of this loan is $12,256 (December 31, 2024 - $12,267).

8 Right-of-use Asset

		March 31, 2025		December 31, 2024
Cost	**$**	**443,809**	$	443,809
Less: Accumulated amortization		**(281,275)**		(266,499)
	$	**162,534**	$	177,310

9 Accounts Payable and Accrued Charges

	March 31, 2025	December 31, 2024
Trade and other payables	**$ 167,828**	$ 62,069
Accrued expenses (note 15)	**54,233**	56,882
Government remittances payable	**6,487**	10,650
	$ 228,548	$ 129,601

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.

	March 31, 2025	December 31, 2024
Lease liability	**$ 202,800**	$ 219,399
Less: current portion	**(68,624)**	(67,164)
Long-term portion	**$ 134,176**	$ 152,235

During the three months ended March 31, 2025, the Company paid lease payments of $18,234 (2024- $17,291), comprising principal repayment of the lease liability of $16,600 (2024 - $15,183) and interest expense of $1,634 (2024 - $2,108).

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	March 31, 2025	December 31, 2024
13,709,395 oustanding and outstanding (Dec 31, 2024 - 13,756,395)	**$ 572,874**	$ 582,379

During the course of the year ended December 31, 2024, the Company purchased for cancellation a total of 556,000 shares for a total cost of $125,999. During the three months ended March 31, 2025, the Company purchased an additional 47,000 shares at a total cost of $9505. 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 and April 3, 2024.

12 Contributed Surplus

Contributed surplus comprises of the aggregate 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 periods ended March 31, 2025 and March 31, 2024.

	2025			2024		
	Number of Options		**Weighted Exercise Price**	Number of Options		Weighted Exercise Price
Balance, Beginning of Period	**1,140,000**	**$**	**0.14**	1,400,000	$	0.16
Granted	**-**		-	-		-
Forfeited	**-**		-	-		-
Balance, End of Period	**1,140,000**	**$**	**0.14**	1,400,000	$	0.16

For the period ended March 31, 2025, stock-based compensation expense was $nil (2024 - $nil). Stock-based compensation expense for 2025 would be recorded in the statement of comprehensive income as administrative costs with a corresponding credit to equity reserve.

As at March 31, 2025, the average remaining contractual life of outstanding options was approximately 3.25 years (December 31, 2024 – 3.5 years). A total of 240,000 options (December 31, 2024 - 500,000 options) were exercisable at a price of $0.25 and a total of 900,000 options (December 31, 2024 - 900,000) were 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 240,000 options 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.

b) Credit Risk

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

Cash and cash equivalents are maintained at a major financial institution. Deposits 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 March 31, 2025, two major customers accounted for 68% and 9% of accounts receivable (December 31, 2024 – two major customers accounted for 57%, and 10%).

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

14 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 $48,763 increase or decrease to the Company's income before taxes and $2,750 to other comprehensive income for the period ended March 31, 2025. At March 31, 2025, the Company had net assets denominated in U.S. currency of USD $358,329 (December 31, 2024 – USD $157,167) 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.

	March 31, 2025	December 31, 2024
Cash	**$ 286,185**	$ 9,783
Accounts receivable	**189,193**	168,719
Loan receivable	**12,256**	12,267
Investments	**27,500**	26,782
	$ 515,134	$ 217,551

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 March 31, 2025

		Due between		
	Due within 1 year	1 and 2 years	2 and 3 years	Total
Accounts payable and accrued charges	$ 228,548	-	-	$ 228,548
Principal repayments on lease liability	68,624	74,578	59,598	$ 202,800
Interest payments on lease liability	5,254	3,073	762	$ 9,089
Total	$ 302,426	77,651	60,360	$ 440,437

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 $2,880 increase or decrease to the Company's other comprehensive income for the months ended March 31, 2025.

15 Related Party Transactions

	Three months ended March 31,	
	2025	2024
Fees paid to a company of a key executive, included within administrative costs	**$ 15,450**	$ 12,000
Commissions paid to the President of the Company, included within selling costs	**$ 6,175**	$ 5,084
Salaries paid to the President of the Company, included wtihin administrative costs	**$ 25,904**	$ 22,573
Interest earned on loan described in note , included in interest income	**$ 151**	$ 146

	March 31 2025	December 31, 2024
Interest accrual on loan described in note , included within accounts receivable	**$ 818**	667
Commission payable to the President of the Company, included in accounts payable and accrued charges	**$ 6,804**	4,629

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 for the three months ended March 31 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:

	2025	2024
Expected income tax expense at the combined Federal and provincial rate of 26.50% (2024 - 26.50%)	**$ 21,495**	$ 15,320
Increase (decrease) in income taxes resulting from: Non-deductible permanent differences	**27**	27
Provision for Income Taxes	**$ 21,522**	$ 15,347

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

	2025	2024
Current	**$ 20,261**	$ -
Deferred	**1,261**	15,347
Provision for Income Taxes	**21,522**	15,347
Deferred taxes charged (credit) to OCI	**$ -**	$ -

The Company has deferred tax assets of $24,746 (December 31, 2024 - $26,007). The significant components of the Company's deferred tax assets are as follows:

	March 31, 2025	December 31, 2024
Net operating losses carried forward	**$ -**	$ -
Equipment	**11,867**	12,497
Intangible assets	**2,210**	2,357
Financing cost	**-**	**11,153**
Right of use asset and lease liability	**10,669**	-
Deferred Tax Asset	**$ 24,746**	$ 26,007

17 Segmented Information

Sales are attributed to countries based on location of customer.

	Three months ending March 31,	
	2025	2024
Canada	**$ 180,089**	$ 250,394
United States	**300,848**	183,833
Other	**3,455**	3,391
	$ 484,392	$ 437,618

In 2025, the Company derived 62% (2024 – 42%) of its revenue from sales to the United States. The Company's equipment is located in Canada.

In 2025, the Company derived sales from one customer in the United States amounting to 50% of the total sales revenue (2024 – one customer in the United States amounting to 31%).

18 Subsequent events

In connection with the NCIB program as described in note 11, the Company has purchased 74,000 common shares at a cost of $13,380 as of the date of issuance of these unaudited interim condensed financial statements.

On April 2, 2025, the United States of America imposed tariffs on many imports from Canada into the United States. The Government of Canada has imposed reciprocal tariffs on imports from the United States. While the Company's products are currently exempt from tariffs, it is subject to an increase in certain input costs due to upstream US components within Canadian-sourced inputs. The situation is dynamic, and management is actively monitoring the dynamic situation. Currently, it is unclear what the impact will be of these events on the company's sales and profitability.

On April 14, 2025, 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 681,769 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 13,635,395 common shares outstanding as at the date above. The NCIB commenced on April 17, 2025 and will terminate on April 16, 2026 or at such earlier time as the NCIB is completed or terminated at the option of the Company.