SpectralCast, Inc.

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2015

(UNAUDITED)

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SpectralCast, Inc.
BALANCE SHEET
September 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ (370)
Prepaid expenses	11,000
Inventory	124,412
Total Current Assets	135,042
Fixed Assets	
Equipment, furniture and vehicles	93,267
Less: Accumulated depreciation	(61,150)
Total Fixed Assets	32,117
Other Assets	
Loans receivable	232,260
Investment in Compass Auto Tracker	1,265,810
Total Other Assets	1,498,070
TOTAL ASSETS	1,665,229
LIABILITIES AND SHAREHOLDERS' DEFICIT	
Current Liabilities	
Accounts payable	504,900
Deferred licensing revenue	200,000
Accrued interest	258,548
Loans payable	491,623
Notes payable	1,805,810
Officer loan	79,961
Total Current Liabilities	3,340,842
Equity	
Common stock	282,000
Additional paid-in capital	-
Retained earnings	(1,593,838)
Net loss	(363,775)
Total Deficit	(1,675,613)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 1,665,229

SpectralCast, Inc.

STATEMENT OF OPERATIONS

For the Nine Months Ended September 30, 2015

SALES	$	-
COST OF GOODS SOLD		-
GROSS PROFIT		-
EXPENSES		
Accounting		10,000
Advertising and promotion		2,103
Automobile expenses		5,833
Bank service and credit card processing fees		1,452
Charitable contributions		125
Computer and internet expenses		6,165
Depreciation		11,211
Interest expense		36,334
Office expenses		5,610
Outside services		121,050
Postage and delivery		92
Legal and professional fees		13,545
Rent and storage costs		120,000
Repairs and maintenance		7,676
Supplies		4,292
Telephone		3,794
Travel and entertainment		9,899
Utilities		4,674
TOTAL OPERATING EXPENSES		363,855
OPERATING INCOME (LOSS)		(363,855)
OTHER INCOME AND EXPENSES		
Share Issuance Fees		80
TOTAL OTHER INCOME AND EXPENSES		80
NET LOSS	$	(363,775)

SpectralCast, Inc.

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT
For the Nine Months Ended September 30, 2015

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
BALANCE AT December 31, 2013	$ 282,000	$ -	$ (850,059)	$ (568,059)
Capital contributed	-	-	-	-
Net loss for the period			(743,779)	(743,779)
BALANCE, December 31, 2014	$ 282,000	$ -	$ (1,593,838)	$ (1,311,838)
Capital contributed	-	-	-	-
Net loss for the period			(363,775)	(363,775)
BALANCE, September 30, 2015	$ 282,000	$ -	$ (1,957,613)	$ (1,675,613)

SpectralCast, Inc.

STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2015

Cash flows from operating activities		
Net Loss	$	(363,775)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation		11,211
(Increase) decrease in inventory		-
(Increase) decrease in prepaid expenses		(11,000)
(Increase) decrease in other assets		10,200
Increase (decrease) in accounts payable		166,550
Increase (decrease) in accrued interest		34,724
Increase (decrease) in deferred revenue		200,000
Net cash used in operating activities		47,910
Cash flows from investment activities		
Purchase of fixed assets		(39,715)
Net cash used in investing activities		(39,715)
Cash flows from financing activities		
Contributions		-
Net advances from (repayments to) officers		6,261
Loan repayments		(25,000)
Note proceeds		10,000
Net cash provided by financing activities		(8,739)
Increase (decrease) in cash and cash equivalents		(544)
Cash and cash equivalents, beginning of period		174
Cash and cash equivalents, end of period	$	(370)

SpectralCast, Inc.
Notes to Financial Statements

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

SpectralCast, Inc. (the "Company") formerly 7 Star Entertainment, Inc. ("7 Star") was formed in June of 2006 for the purpose of operating an online dating portal.

Orbital Laboratories, Inc. ("Orbital") was formed in April of 2011 with a focus on electronic design and custom manufacturing. Utilizing contract manufactures Orbital's first contract was signed in September 2011 to create a digital/analog hybrid televisions for use by the U.S. Government in Afghanistan (Bagram Air Base). Orbital followed up by introducing a new line of commercial grade televisions for sale in the United States. In 2012, Orbital acquired its first patent; this concept patent was a radio direction patent that has led Orbital to change its focus to finding/locating things of importance. This first of its kind terrestrial concept is currently under development. Orbital was granted its second patent on its Location Based Technology in July of 2012, and currently has a patent pending on a wireless handset case.

In June of 2013 7 Star entered into negotiations with Orbital. The two companies perceived a significant value in the equipment possessed by 7 Star when paired with the technology goals of Orbital Laboratories. In December 2013, an acquisition agreement was signed that led to a reverse split of 7 Star's common shares, and then 7 Star acquired all common shares of Orbital, with one share of Orbital for every one share of 7 Star. On January 15, 2014 7 Star Entertainment, Inc. changed its name to SpectralCast, Inc. On February 11, 2014, the merger with Orbital Laboratories, Inc. was completed and the ticker symbol was changed to OTC Pink: **SPEC**.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Use of Estimates

The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting which generally records items under historical cost and sometimes requires the use of estimates and assumptions. The accrual basis of accounting records revenue in the period earned rather than when received and records expenses in the period incurred rather than when paid. The estimates and assumptions used could affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

The fair value of financial instruments classified as current assets or liabilities approximate their carrying value due to the short-term maturity of the instruments.

Estimates

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates market value.

Commitments and Contingencies

The Company follows ASC 440, *Commitments* and ASC 450, *Loss Contingencies*, to report accounting for commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. There were no commitments or contingencies at September 30, 2015.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years.

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expenditures for additions and improvements are capitalized, while repair and maintenance costs are expensed as incurred.

Property and equipment consisted of the following as of September 30, 2015:

	September 30, 2015
Camera Equipment	963
Computers	3,632
Office Furniture	1,503
Other Equipment	2,454
Vehicles	84,715
Less: Accumulated Depreciation	(61,150)
Property and Equipment – Net	32,117

Depreciation expense for the year ended September 30, 2015 is $11,211.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the cash flow statements. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers a number of factors, including historical losses, current receivables aging reports, the counter party's current ability to pay its obligations to the Company, and existing industry trends. The company reviews its allowances every month. Past due invoices over 90 days that exceed a specific amount are reviewed individually for collectability. During the nine months ended September 30, 2015, the allowance for doubtful accounts was $0. The Company does not have any off-balance sheet exposure related to its customers.

Inventory

Inventory is valued at the lower of cost (on a first-in, first-out (FIFO) basis) or market. The Company purchases its inventory directly from various manufactures and includes these costs in its Cost of Sales as well as its packaging supplies, shipping, freight and duties costs. The Company evaluates inventory for items that have become obsolete. An allowance for

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

obsolescence is established for items that are deemed not able to be sold. Currently there are no obsolete inventory items.

Revenue Recognition

The Company applies provisions of ASC 605, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. ASC 605 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. In general, the Company recognizes revenue related to goods and services proved when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured.

In January 2015, the Company received $200,000 from Talon Safety Systems, Inc. The Company recorded this amount as deferred licensing revenue. This is a progress payment on a contract calling for total payments of $500,000, with a second payment of 200,000 to be paid on substantial completion of the development phase and the final 100,000.00 on delivery of product pre-production prototypes. This contract grants Talon Safety Systems, Inc. an exclusive license for a firefighting location system based on SpectralCast's patents and technology.

Long-Lived Assets

Long-lived assets include equipment and intangible assets other than those with indefinite lives. We assess the carrying value of our long-lived asset groups when indicators of impairment exist and recognize an impairment loss when the carrying amount of a long-lived asset is not recoverable from the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Indicators of impairment include significant underperformance relative to historical or projected future operating results, significant changes in our use of the assets or in our business strategy, loss of or changes in customer relationships and significant negative industry or economic trends. When indications of impairment arise for a particular asset or group of assets, we assess the future recoverability of the carrying value of the asset (or asset group) based on an undiscounted cash flow analysis. If carrying value exceeds projected, net, undiscounted cash flows, an additional analysis is performed to determine the fair value of the asset (or asset group), typically a discounted cash flow analysis, and an impairment charge is recorded for the excess of carrying value over fair value. Property and equipment are recorded at historical cost less accumulated depreciation, unless impaired. Depreciation is charged to operations over the estimated useful lives of the assets using the straight-line. Upon retirement

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

or sale, the historical cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Automobiles and Equipment	3-5 years
Computer Software	3 years
Leasehold Improvements	3 years

Income Taxes

The company follows ASC 740, Income Taxes. Deferred tax assets or liabilities are recorded to reflect the future tax consequences of temporary differences between the financial reporting basis of assets and liabilities and their tax basis at each year end. These amounts are adjusted, as appropriate, to reflect enacted changes in tax rates expected to be in effect when the temporary differences reverse.

The Company records deferred tax assets and liabilities based on the differences between the financial statement and tax bases of assets and liabilities and on operating loss carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Recently Issued Accounting Pronouncements

The Company does not believe that the adoption of any recently issued, but not yet effective, accounting standards will have a material effect on its financial position and results of operations.

Note 2 – RELATED PARTY TRANSACTIONS

From the Company's inception through and including the nine months ended September 30, 2015, the Company received financial assistance to develop and advance operations. The company received funds primarily from related parties, such as friends and families in addition to assistance from the officers of the Company. The amounts due are all non-interest bearing.

Note 3 – INCOME TAXES

Deferred income tax assets as of September 30, 2015 resulting from net operating losses have been fully offset by valuation allowances. The valuation allowances have been established equal to the full amounts of the deferred tax assets, as the Company is not assured that is more likely than not that these benefits will be realized.

Components of deferred tax assets were approximately as follows:

At September 30	2015
Net operating loss	1,593,838
Asset impairment	0
Valuation allowance	(1,593,838)
Total	0

At September 30, 2015, the Company has available net operating losses of approximately $1,957,000 which may be carried forward to apply against future taxable income. These losses expire at various points in time over the next twenty years. Deferred tax assets related to these losses have not been recorded due to uncertainty regarding their utilization.

The provisions of ASC 740 require companies to recognize in their financial statements the impact of a tax position if that position is more likely than not to be sustained upon audit, based upon the technical merits of the position. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

Management does not believe that the Company has any material uncertain tax positions requiring recognition or measure in accordance with the provision of ASC 740. Accordingly, the adoption of these provisions of ASC 740 did not have a material effect on the Company's financial statements. The Company's policy is to record interest and penalties on uncertain tax positions, if any, as income tax expense.

Note 4 – NOTES AND LOANS PAYABLE

Orbital Laboratories, Inc. carried notes payable related to the acquisition of its patents and related intellectual property. The notes were issued in two series. Series A were monies received directly by Orbital to fund the further development of its technology; Series B funded

Note 4 – NOTES AND LOANS PAYABLE - CONTINUED

expenses of the original development. Orbital assumed these notes with the acquisition of the technology.

Series A Notes carry an interest rate of 8% and can be converted at a rate of $1.00 per share into common stock, and are due and payable on June 29th 2015. The Series A Notes are shown below:

Note Holder		Principal Balance
Bernard Hale	$	200,000
Noel Krantz		175,000
Estate of Dorothy Washington		150,000
Total	$	525,000

Series B Notes carry a zero interest rate, and can be converted at a rate of $1.60 per share into common stock, and are due and payable on June 29th of 2015. At September 30, 2015 Series B Notes total $1,265,810. Together the Series A and Series B convertible notes total $1,790,810.

On November 10, 2014 shares purchased by Bernard Hale ("Hale"), pursuant to the terms of a settlement agreement reached in *Tilson V. Orbital*, were issued. This settlement allowed a credit of 0.80 per share towards the Series B Notes held by Hale. Hale was issued 199,612 shares of Common Stock with a credit of $158,690 being issued to SpectralCast.

As of September 30, 2015 an officer and shareholder has advanced the Company $79,961. This obligation bears no interest. During the nine months ended September 30, 2015, the officer and shareholder has advanced the Company $6,251.

At September 30, 2015 non-convertible notes and short-term loans payable total $506,623. Included in this amount is $270,623 due officers of 7 Star Entertainment, Inc. for amounts advanced prior to the merger. These obligations bear no interest. The other short-term loans and notes bear an interest rate of 0% - 3%.

Accrued interest on all notes and loans as of September 30, 2015 is $258,548.

Note 5 – GOING CONCERN

These financial statements are presented on the basis that the Company is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable period of time.

As shown in the accompanying financial statements, the Company had incurred cumulative losses of $1,957,613 as of September 30, 2015. The Company's existence from inception through the current period has been dependent upon advances from the Company's officers and a small number of equity and debt investors.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.