Fiscal Year Ended October 31, 2016

JANUARY 30, 2017

B-SCADA, INC

9030 W. FORT ISLAND TRAIL, BLDG. 9CRYSTAL FIVER, FL 34429

B-SCADA, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

B-SCADA, INC.
CONSOLIDATED BALANCE SHEETS

	October 31, 2016 (Unaudited)	October 31, 2015
Assets		
Current Assets		
Cash and Cash Equivalents	$ 845,511	$ 840,777
Accounts Receivable – Net	31,693	58,943
Accrued Revenue	--	217,050
Inventory	99,196	219
IVA Tax Receivable - Net	72,444	29,197
Prepaid Expenses and Other Current Assets	15,216	34,334
Total Current Assets	1,064,060	1,180,520
Property and Equipment – Net	207,834	225,165
Other Assets		
Intangible Assets	628,840	314,735
Deferred Income Tax	1,170,840	1,061,824
Security Deposits	1,500	1,555
Total Other Assets	1,801,180	1,378,114
Total Assets	$ 3,073,074	$ 2,783,799
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable	$ 65,005	$ 52,914
Accrued Liabilities	135,556	155,678
Deferred Revenue	123,012	194,964
Mortgage Payable - Current	17,751	16,887
Total Current Liabilities	341,324	420,443
Long Term Liabilities		
Mortgage Payable – Less Current Portion	67,789	85,540
Total Liabilities	409,113	505,983
Stockholders' Equity		
Preferred Stock, $0.0001 Par Value, 5,000,000 Shares Authorized and Unissued	--	--
Common Stock, $0.0001 Par Value; 100,000,000 Shares Authorized; Shares Issued and Outstanding, 3,059,341 at October 31, 2016 and 2,724,341 October 31, 2015	3,059	2,724
Additional Paid in Capital	8,666,154	7,972,856
Accumulated Other Comprehensive Loss	(25,192)	(26,622)
Accumulated Deficit	(5,980,061)	(5,671,142)
Total Stockholders' Equity	2,663,960	2,277,816
Total Liabilities and Stockholders' Equity	$ 3,073,074	$ 2,783,799

See the accompanying notes to consolidated financial statements.

B-SCADA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
[UNAUDITED]

	For the Twelve Months Ended Oct 31,	
	2016	2015
Revenue		
Technology Licensing and Support	$824,842	$1,599,387
Commercial Software	$210,857	$173,234
Other Hardware/Software Sales	$325,637	$151,366
Sensor Sales	7,883	11,481
Total Revenues	1,369,219	1,935,468
COGS	281,798	139,296
Gross Profit	1,087,421	1,796,172
Operating Expenses		
Technology Licensing and Support	0	109,150
Commercial Software	300,493	484,464
Sales and Marketing	365,239	600,544
Research and Development	198,629	122,487
General and Administrative	620,229	1,021,424
Depreciation and Amortization	17,286	17,290
Total Operating Expenses	1,501,876	2,355,359
Operating Income (Loss)	(414,455)	(559,187)
Other Income (Expenses)		
Interest Income	1,316	2,398
Interest Expense	(4,772)	(5,763)
Interest Expense-Related Party		
Total Other Income (Expenses) - Net	(3,455)	(3,365)
Income (Loss) Before Income Taxes	(417,910)	(562,552)
Benefit from Income Taxes	(109,016)	(164,331)
Net Income (Loss)	($308,894)	($398,221)
Other Comprehensive Income (Loss)		
Foreign Currency Translation Adjustment	(26,332)	(21,407)
Comprehensive Income (Loss)	($335,226)	($419,628)

See the accompanying notes to consolidated financial statements.

B-SCADA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
[UNAUDITED]

	For the Twelve Months Ended October 31, 2016	2015
Operating Activities		
Net Income (Loss)	$ (308,894)	$ (398,221)
Adjustments to Reconcile Net Loss to Net Cash		
Provided by Operating Activities:		
Deferred Income Tax Benefit	(109,016)	(164,331)
Depreciation and Amortization	17,286	17,290
Stock-Based Compensation	23,633	59,230
Changes in Assets and Liabilities:		
Accounts Receivable	27,250	59,123
Accrued Revenue	217,050	158,421
Deferred Revenue	(71,952)	243,855
Inventory	(98,977)	(6,450)
IVA Tax Receivable-Net	(43,247)	(12,005)
Prepaid Expenses and Other Current Assets	19,117	194,215
Security Deposits	56	(55)
Accounts Payable and Accrued Liabilities	(143,588)	20,502
Net Cash (Used for) Provided by Operating Activities	(471,281)	259,231
Investing Activities		
Capitalized Technology Development	(314,105)	(110,000)
Acquisition of Property and Equipment	--	(2,868)
Net Cash Used for Investing Activities	(314,105)	(112,868)
Financing Activities		
Payment of Mortgage Payable	(16,887)	(11,967)
Proceeds from Sale of Common Stock	674,620	--
Net Cash Provided by (Used for) Financing Activities	657,733	(11,967)
Foreign Currency Translation Effect	1,474	(20,538)
Change in Cash and Cash Equivalents	(126,179)	113,858
Cash and Cash Equivalents – Beginning of Period	840,777	1,144,915
Cash and Cash Equivalents – End of Period	$ 714,598	$ 1,258,773
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 3,455	$ 4,335
Income Taxes	$ --	$ --

See the accompanying notes to consolidated financial statements.

B-SCADA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]
OCTOBER 31, 2016

(1) Nature of Business and Basis of Presentation

B-Scada, Inc. ("B-Scada", the "Company", "we" or "us"), a Delaware corporation, was originally formed under the name Firefly Learning, Inc. in May 2001. In October 2005, pursuant to an exchange agreement, we acquired all of the issued and outstanding shares of capital stock of Mobiform Software, Ltd. ("Mobiform Canada"), a Canadian corporation, in exchange for 14,299,593 shares of our common stock and changed our name to Mobiform Software, Inc. Effective September 14, 2010, Mobiform Canada was dissolved. On October 19, 2012, we changed our name to B-Scada, Inc. On October 15, 2014, we formed a wholly-owned subsidiary in Spain, B-Scada Soluciones Industriales SL ("B-Scada Spain") to provide improved sales, service and support to Europe, Latin America, the Middle East and Africa. On August 20, 2015 we formed a wholly-owned U.S. subsidiary, Monitor Sensing Technologies, Inc., a Florida corporation, which operates the manufacturing of our wireless sensors.

B-Scada is in the business of developing software and hardware products for the visualization and monitoring of data in residential, commercial and heavy industries. Our HMI (Human Machine Interface) software and SCADA (Supervisory Control and Data Acquisition) products are utilized in the petrochemical, electricity distribution, transportation, facilities management and manufacturing industries. B-Scada licenses portions of its technology for use in the products of smaller software firms and Fortune 500 companies. B-Scada also markets and sells a line of wireless sensors used for monitoring various information like temperature, pressure, voltage and water detection. The sensors are used in a variety of light commercial applications. Our products are marketed and sold globally and offered through a sales channel of system integrators and resellers.

(2) Summary of Significant Accounting Policies

Our other accounting policies are set forth in Note 2 to our audited consolidated financial statements included in our October 31, 2015 Financials.

Unaudited Annual Statements - The accompanying unaudited consolidated financial statements as of October 31, 2016, and 2015 have been prepared in accordance with accounting principles generally accepted for interim financial statements. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. In the opinion of management, the consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position as of October 31, 2016 and 2015.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Principles of Consolidation - The consolidated financial statements include the accounts of B-Scada, Inc. and our wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Concentration of Credit Risk - Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable.

We maintain our cash and cash equivalents in accounts with major financial institutions in the form of demand deposits. Deposits in these banks may exceed the amounts of insurance provided on such deposits. At October 31, 2016, we had approximately $230,000 in cash in one financial institution in excess of the $250,000 FDIC insured limit. At October 31, 2015, we had approximately $167,000 and $60,000, respectively, in cash in two financial institutions in excess of the $250,000 FDIC insured limit.

(2) Summary of Significant Accounting Policies (Continued)

Concentrations of credit risk with respect to trade accounts receivable are limited. We routinely assess the financial strength of customers and, based upon factors concerning credit risk, we establish an allowance for doubtful accounts. Based on this assessment, management established $0 allowance for doubtful account as of October 31, 2016 and October 31, 2015 management established an allowance for doubtful accounts of approximately $750 which was written off in July 31, 2016. Management believes that accounts receivable credit risk exposure is limited.

Impairment of Long-Lived Assets - We review our long-lived assets, including intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors and circumstances exist, we compare the projected undiscounted future cash flows associated with the future use and disposal of the related assets or group of assets to their respective carrying amounts. Impairment, if any, is measured as the excess of the carrying amount over the fair value based on market value (when available) or discounted expected cash flows of those assets, and is recorded in the period in which the determination is made.

Intangible assets not subject to amortization are tested annually for impairment and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. These tests were performed for the year ended October 31, 2016 and it was determined that the carrying value of the asset was not impaired.

Foreign Currency Translation - We consider the U.S. dollar ("US$") to be our functional currency. B-Scada Spain considers the Euro ("Euro") to be its functional currency. Assets and liabilities are translated into US$ at the period end exchange rate. Income and expense amounts are translated using the average rates during the period. Gains and losses resulting from translating foreign currency financial statements are included in accumulated other comprehensive income or loss, a separate component of stockholders' equity.

Technology Development - We capitalize costs to develop technology for sale once technological feasibility is established. Costs incurred to establish technological feasibility are charged to expense when incurred. Capitalization of technology costs cease when the related products are available for sale and at this time the capitalized costs are amortized on a straight-line method over the remaining estimated economic life of the product.

Reclassification – The Fiscal 2015 statement of operations and comprehensive loss has been reclassified to conform to the presentation used in the October 31, 2016 financial statements.

Subsequent Events – The Company evaluated subsequent events, which are events or transactions that occurred after October 31, 2016 through the date of the issuance of the accompanying consolidated financial statements.

(3) Intangible Assets

During 2016, the Company signed an agreement with an electronics-manufacturing firm for the development of a sensor radio design prototype. For the twelve months ended October 31, 2016, there was approximately $295,6111 capitalized as an intangible asset related to the development of this prototype. The intangible asset will be amortized over an estimated 3-year life when completed.

(4) New Authoritative Accounting Guidance

In February 2016, the FASB completed its Leases project by issuing Accounting Standards Update ("ASU") No. 2016-02, "Leases" (Topic 842). The new guidance establishes the principles to report transparent and information that faithfully represents the economics about the assets and liabilities that arise from leases. As a result, the effective date will be the first quarter of our fiscal year ending October 31, 2019. We have not determined the potential effects on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation – Stock Compensation: Improvements to Employee Shared-Based Payment Accounting" (Topic 718). The amendments in ASU 2016-09 affect all entities that issue share-based payment awards to their employees and involve multiple aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the amendments in ASU 2016-09 apply only to nonpublic entities. We have not determined the potential effects on our consolidated financial statements.

4) New Authoritative Accounting Guidance (Continued)

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers" (Topic 606). This ASU is based on when another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. ASC 606 includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customer. ASU 2016-08 clarifies the implementation guidance related to principal versus agent considerations and adds illustrative examples to assist in the application of the guidance. We have not determined the potential effects on our consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing" (Topic 606). This ASU addresses implementation issues identified under ASC Topic 606 by the FASB-IASB Joint Transition Resource Group for Revenue Recognition ("TRG"). Specifically, implementation questions submitted to the TRG informed the FASB about certain implementation issues in ASC Topic 606 guidance on identifying performance obligations and licensing. We have not determined the potential effects on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes" (Topic 740), which revises the balance sheet classification of deferred taxes. Currently, entities are required to separate deferred tax assets and liabilities into current and noncurrent amounts on the balance sheet. ASU No. 2015-17 requires that deferred tax assets and liabilities be classified as all noncurrent on the balance sheet. The amendments in the ASU may be applied either retrospectively or prospectively. The effective date will be the first quarter of our fiscal year ended October 31, 2018. We have elected to prospectively apply the guidance in ASU No. 2015-17 effective with our fiscal quarter ended October 31, 2015.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers" (Topic 606), which defers the effective date of ASU No. 2014-09 by one year. As a result, the effective date will now be the first quarter of our fiscal year ended October 31, 2019. We have not determined the potential effects on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), which supersedes the recognition requirements in ASC Topic 605, "Revenue Recognition", and most industry-specific guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The amendments in the ASU will be applied using one of two retrospective methods. The effective date will be the first quarter of our fiscal year ended October 31, 2018. We have not determined the potential effects on our consolidated financial statements.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have an effect on the accompanying consolidated financial statements.

(5) Stockholders' Equity

On April 13, 2016, B-Scada, Inc. (the "Company") filed a Certificate of Amendment to its Certificate of Incorporation (the "Certificate of Amendment") to effect a reverse stock split (the "Reverse Stock Split") of the Company's outstanding Common Stock at an exchange ratio of 1-for-10, effective at 5:00 p.m. EDT on April 29, 2016. As a result of the Reverse Stock Split, each ten shares of the Company's Common Stock owned by a stockholder was automatically combined into one new share of Common Stock, with any fractional shares that would otherwise be issuable as a result of the Reverse Stock Split rounded up to the next largest whole share. The Reverse Stock Split applied to all shares of the Company's Common Stock issued and outstanding, all treasury shares, and all vested or unvested options to purchase Common Stock of the Company. As a result of the Reverse Stock Split, the total number of shares of Common Stock outstanding was reduced and is reflected in the accompanying consolidated financial statements retroactively for all periods presented. The number of authorized shares of Common Stock was not reduced in connection with the Reverse Stock Split and remains the same.

(5) Stockholders' Equity (continued)

On January 6, 2016, effective as of January 11, 2016, we entered into a new Stock Purchase Agreement with Yorkmont pursuant to which Yorkmont purchased 335,000 shares of our common stock for an aggregate purchase price of $670,000 ($2.00 per share). In the Stock Purchase Agreement, the parties made to each other certain customary representations concerning themselves and the validity and enforceability of the agreement.

On May 3, 2016, the Board of Directors granted three new non-qualified stock option agreements and terminated and cancelled one option to purchase 250,000 shares of stock at $.48 per share dated February 11, 2015. Two of the non-qualified options grant the Optionee the right to purchase an aggregate of 5,000 shares of our common stock at an exercise price of $1.30 per share. The option vests as follows: 1,333 shares immediately; 1,334 shares on May 3, 2017; 1,333 shares on May 3, 2018. The third non-qualified option grant the Optionee the right to purchase an aggregate of 25,000 shares of our common stock at an exercise price of $1.50 per share. The option vests as follows: 16,667 shares immediately; 8,333 shares on February 11, 2017.

(5) Commitments and Contingencies

Leases

B-Scada Spain subleases office space in Spain from an entity related to the two principal employees in Spain. The lease is for a term of five years commencing November 1, 2014 with annual renewal options thereafter. Base rent is $1,163 (Euro 1,050) per month for the first fourteen months after which it increases to $1,395 (Euro 1,260) per month for the remainder of the term. There is an annual escalation based on the Spanish National General Index of Consumer Prices and we are responsible for the related costs, such as, taxes, utilities and maintenance. Rent expense amounted to $12,227 (Euro 11,041) for the nine months ended July 31, 2016. Future lease commitments through the twelve months ended July 31 are as follows: 2017-$16,740; 2018-$16,740; 2019-$16,740; 2020-$12,555.

Compensation Agreements

In connection with the formation of B-Scada Spain, we entered into agreements with two individuals and a related entity in Spain to establish and maintain our Spanish office and for employment services. In October 2014, we made an advance payment of approximately $182,000 for services related to the establishment of our office in Spain. Such services included, among other necessary services, securing and setting up the office location, interviewing and hiring qualified personnel and translating technical documents, marketing materials, web site, etc. These services were completed in the first quarter of fiscal 2015 and at such time this amount was expensed.

We also entered into employment agreements with the two individuals effective November 1, 2014. The agreements provide for annual salaries of Euro 42,615 (approximately US $47,192) and Euro 30,000 (approximately US $33,210), respectively, and commissions as defined in our sales commission policy, among other customary terms, such as, vacation pay and qualified expense reimbursements. The agreements are on an ongoing basis unless terminated by either us or the employee, as defined in the agreements. The agreements also provide that if the employee is terminated due to redundancy (layoff), in addition to being paid any unused vacation pay, the employee, if employed for at least one full year, will receive redundancy pay equal to 45 days for each year of employment, not to exceed 42 months of equivalent salary. Both the unused vacation pay and redundancy pay are payable at the employee's then applicable base salary.