



Fiscal Quarter Ended January 31, 2017

MARCH 15, 2017

**B-SCADA, INC**

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

**B-SCADA, INC.**

**TABLE OF CONTENTS**

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>ITEM 1. FINANCIAL STATEMENTS</u>	3
<u>CONSOLIDATED BALANCE SHEETS [UNAUDITED]</u>	3
AT JANUARY 31, 2017 AND OCTOBER 31, 2016	3
<u>CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS [UNAUDITED]</u>	4
FOR THE THREE MONTHS ENDED JANUARY 31, 2017 AND 2016	4
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]</u>	5
FOR THE THREE MONTHS ENDED JANUARY 31, 2017 AND 2016	5
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]</u>	6
<u>COMPARISON OF THE THREE MONTHS RESULTS OF OPERATION [UNAUDITED]</u>	9
FOR THE THREE MONTHS ENDED JANUARY 31, 2017 AND 2016	9

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**B-SCADA, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**[UNAUDITED]**

	July 31, 2017	October 31, 2016
	<hr/>	<hr/>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 670,856	\$ 845,511
Accounts Receivable – Net	15,279	31,693
Accrued Revenue	--	--
Inventory	100,135	99,196
IVA Tax Receivable - Net	14,977	72,444
Prepaid Expenses and Other Current Assets	17,903	15,216
Total Current Assets	<hr/> 819,150	<hr/> 1,064,060
<b>Property and Equipment – Net</b>	<hr/> 203,413	<hr/> 207,834
<b>Other Assets</b>		
Intangible Assets	605,926	628,840
Deferred Income Tax	1,096,899	1,170,840
Security Deposits	1,168	1,500
Total Other Assets	<hr/> 1,703,993	<hr/> 1,801,180
Total Assets	<hr/> <b>\$ 2,726,556</b>	<hr/> <b>\$ 3,073,074</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 20,001	\$ 65,005
Accrued Liabilities	48,991	135,557
Deferred Revenue	125,812	123,012
Mortgage Payable - Current	17,974	17,751
Total Current Liabilities	<hr/> 212,778	<hr/> 341,325
<b>Long Term Liabilities</b>		
Mortgage Payable – Less Current Portion	<hr/> 63,211	<hr/> 67,789
Total Liabilities	<hr/> 275,989	<hr/> 409,114
<b>Stockholders' Equity</b>		
Preferred Stock, \$0.0001 Par Value, 5,000,000 Shares Authorized and Unissued	--	--
Common Stock, \$0.0001 Par Value; 10,000,000 Shares Authorized; Shares Issued and Outstanding, 3,059,341 at January 31, 2017 and October 31, 2016	3,059	3,059
Additional Paid in Capital	8,668,569	8,666,154
Accumulated Other Comprehensive Loss	(25,712)	(25,192)
Accumulated Deficit	(6,195,349)	(5,980,061)
Total Stockholders' Equity	<hr/> 2,450,567	<hr/> 2,663,960
Total Liabilities and Stockholders' Equity	<hr/> <b>\$ 2,726,556</b>	<hr/> <b>\$ 3,073,074</b>

See the accompanying notes to consolidated financial statements.

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

	For the Three Months Ended January 31,	
	2017	2016
<b>Revenue</b>		
Technology Licensing and Support	\$ 154,325	\$ 311,005
Commercial Software	21,963	47,750
Other Hardware/Software Sales	928	40,651
Sensor Sales	2,476	4,776
Total Revenues	<u>179,692</u>	<u>404,182</u>
COGS	2,576	6,094
Gross Profit	177,116	398,088
<b>Operating Expenses</b>		
Technology Licensing and Support	--	--
Commercial Software	61,354	118,183
Sales and Marketing	57,942	87,026
Research and Development	89,880	52,239
General and Administrative	104,350	184,975
Depreciation and Amortization	4,161	5,277
Total Operating Expenses	<u>317,687</u>	<u>447,700</u>
Operating Loss	<u>(140,571)</u>	<u>(49,612)</u>
<b>Other Income (Expenses)</b>		
Interest Income	301	418
Interest Expense	(1,079)	(1,263)
Total Other Income (Expenses) - Net	<u>(778)</u>	<u>(845)</u>
Loss Before Income Taxes	(141,349)	(50,457)
Benefit from Income Taxes	<u>(14,925)</u>	<u>(14,727)</u>
Net Loss	(126,424)	(35,730)
<b>Other Comprehensive Loss</b>		
Foreign Currency Translation Adjustment	<u>(25,713)</u>	<u>(24,421)</u>
Comprehensive Loss	<u>\$ (152,137)</u>	<u>\$ (60,151)</u>

See the accompanying notes to consolidated financial statements.

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

	For the Three Months Ended	
	January 31,	
	2017	2016
<b>Operating Activities</b>		
Net (Loss)	\$ (126,424)	\$ (35,730)
Adjustments to Reconcile Net Loss to Net Cash		
Provided by Operating Activities:		
Deferred Income Tax Benefit	(14,925)	(14,727)
Depreciation and Amortization	4,161	5,277
Stock-Based Compensation	2,414	13,163
Changes in Assets and Liabilities:		
Accounts Receivable	16,414	(11,677)
Accrued Revenue	--	187,750
Deferred Revenue	2,800	(149,115)
Inventory	(940)	219
IVA Tax Receivable-Net	57,467	3,447
Prepaid Expenses and Other Current Assets	(2,686)	(17,325)
Security Deposits	331	--
Accounts Payable and Accrued Liabilities	(45,003)	9,857
Net Cash (Used for) Operating Activities	(106,391)	(8,861)
<b>Investing Activities</b>		
Capitalized Technology Development	22,914	(59,210)
Acquisition of Property and Equipment	--	--
Net Cash Provided by (Used for) Investing Activities	22,914	(59,210)
<b>Financing Activities</b>		
Payment of Mortgage Payable	(4,355)	(4,143)
Proceeds from Sale of Common Stock	(16,599)	670,000
Net Cash Provided by (Used for) Financing Activities	(20,954)	665,857
Foreign Currency Translation Effect	(260)	(589)
Change in Cash and Cash Equivalents	(104,691)	597,197
Cash and Cash Equivalents – Beginning of Period	845,511	840,777
Cash and Cash Equivalents – End of Period	\$ 740,820	\$ 1,437,974
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the period for:		
Interest	\$ 778	\$ 4,335
Income Taxes	\$ --	\$ --

See the accompanying notes to consolidated financial statements.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JANUARY 31, 2017**

**(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. On October 10, 2016, a decision was made to close the wholly-owned subsidiary in Spain. We will use Spain as a third party distributor on any B-Scada software sales.

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**

Unaudited Interim Statements - The accompanying unaudited interim consolidated financial statements as of January 31, 2017, and for the three months ended January 31, 2017 and 2016 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 January 31, 2017, and the consolidated results of operations for the three ended January 31, 2017 and 2016 and cash flows for the three months ended January 31, 2017 and 2016. The consolidated results of operations for the three months ended January 31, 2017 are not necessarily indicative of the results to be expected for the full year.

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 January 31, 2017, we had approximately \$182,000 in cash in one financial institution in excess of the \$250,000 FDIC insured limit. At October 31, 2016, we had approximately \$336,000 in cash in one financial institution in excess of the \$250,000 FDIC insured limit.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JANUARY 31, 2017**

**(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 January 31, 2017, and October 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.

Subsequent Events – The Company evaluated subsequent events, which are events or transactions that occurred after January 31, 2017 through the date of the issuance of the accompanying consolidated financial statements.

**(3) Intangible Assets**

During 2015, the Company signed an agreement with an electronics manufacturing firm for the development of a sensor radio design prototype. The total amount capitalized at January 31, 2017 was approximately \$559,171. The intangible asset will be amortized over an estimated 3-year life when completed. In June 2016, we started to amortize the electronics manufacturing costs.

**(4) 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. At the time of the split the number of authorized shares of Common Stock was not reduced in connection with the Reverse Stock Split and remained the same.

**B-SCADA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]**  
**JANUARY 31, 2017**

**(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. This lease was terminated as of October 31, 2016.

**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. Contingent upon continued employment, the two individuals will each be paid 12.5% (25% in total) of the annual net profit of B-Scada Spain. Payment was made for the year ended October 31, 2016 with the discontinued operations of the Spain office.

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.

**(6) Subsequent Events**

On February 22, 2017, B-Scada filed submitted a Certificate of Correction with State of Delaware changing the authorized shares of common stock from 100,000,000 to 10,000,000 to coincide with the ten (10) for one (1) reverse stock split filed with the State of Delaware on April 13, 2016. As a result of this filing, the Company's obligation to pay franchise tax was reduced.

On March 9, 2017, B-Scada, Inc. filed with the State of Florida and the State of Delaware Articles of Merger of B-Scada, Inc. (surviving corporation) with Monitor Sensing Technologies, Inc. (merging corporation) effective March 31, 2017.

## Results of Operation

### Comparison of the Three Months Ended January 31, 2017 and 2016

The following table set forth, for the periods indicated, certain items from the consolidated statements of operations along with a comparative ratios of costs and expenses to revenues.

	For the three months ended January 31,			
	2017		2016	
	(Unaudited)		(Unaudited)	
	Amounts	% of Revenues	Amounts	% of Revenues
Revenues				
Technology licensing and support	\$ 154,325	86%	\$ 311,005	77%
Commercial software	21,963	12%	47,750	12%
Other hardware/software	928	1%	40,651	10%
Sensor	2,476	1%	4,776	1%
Total revenues	<u>\$ 179,692</u>	<u>100%</u>	<u>\$ 404,182</u>	<u>100%</u>
COGS	\$ 2,576	1%	\$ 6,094	2%
Gross profit	<u>\$ 177,116</u>	99%	<u>\$ 398,088</u>	98%
Operating expenses:				
Technology licensing and support	\$ --	--%	\$ --	--%
Commercial software	61,354	34%	118,183	29%
Sales and marketing	57,942	32%	87,026	22%
Research and development	89,880	50%	52,239	13%
General and administrative	104,350	58%	184,975	46%
Depreciation and amortization	4,161	2%	5,277	1%
Total operating expense	<u>\$ 317,687</u>		<u>\$ 447,700</u>	
Operating loss	<u>\$ (140,571)</u>	(78)%	<u>\$ (49,612)</u>	(12)%
Net interest expense (income)	\$ 778	--%	\$ 845	--%
Benefit from income taxes	\$ (14,925)	(8)%	\$ (14,727)	(4)%
Net loss	<u>\$ (126,424)</u>	(70)%	<u>\$ (35,730)</u>	(9)%