

1PM Industries  
Form 10-Q  
October 21, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended August 31, 2016**

**or**

**· TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number 000-19949**

**1PM Industries, Inc.**

(Exact name of registrant as specified in its charter)

**Colorado**  
(State of Incorporation)

**47-3278534**  
(I.R.S. Employer Identification No.)

**312 S. Beverly Drive #3401, Beverly Hills,**  
**CA**  
(Address of principal executive offices)

**90212**  
(Zip Code)

**(424) 253-9991**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Title of Each Class</b>	<b>Outstanding as of October 17, 2016</b>
Common stock, par value \$0.0001 per share	113,209,790
Series F Voting Preferred Stock, par value \$0.0001 per share	4,000,000



**1PM INDUSTRIES, INC.**

**FORM 10-Q**

**August 31, 2016**

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Table of Contents**PART I -- FINANCIAL INFORMATION****ITEM 1 – FINANCIAL STATEMENTS****1PM Industries, Inc.****Consolidated Balance Sheets****(Unaudited)**

	<b>August 31, 2016</b>	<b>February 29, 2016</b>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 34,402	\$ 9,200
Accounts receivable	2,465	-
Inventory	3,950	-
Total Current Assets	40,817	9,200
Security deposit	18,600	18,600
<b>TOTAL ASSETS</b>	<b>\$ 59,417</b>	<b>\$ 27,800</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 37,563	\$ 53,678
Due to related party	-	1,740
Convertible notes payable, net of discount of \$61,533 and \$0, respectively	131,456	-
Derivative liability	225,904	81,191
Total Current Liabilities	394,923	136,609
Convertible notes payable, net of discount of \$26,709 and \$49,337, respectively	791	10,663
Note payable – Related Party, net of discount \$30,932 and \$28,313 respectively	147,549	103,699
<b>TOTAL LIABILITIES</b>	<b>543,263</b>	<b>250,971</b>
Stockholders' Deficit		
Series F Preferred Stock, Par Value \$.0001, 5,000,000 shares authorized, 4,000,000 issued and outstanding, respectively	400	400
Common Stock, Par Value \$.0001, 200,000,000 shares authorized, 105,519,507 and 100,092,395 issued and outstanding, respectively	10,552	10,009
Additional paid in capital	978,082	39,243
Accumulated deficit	(1,472,880)	(272,823)
Total Stockholders' Deficit	(483,846)	(223,171)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 59,417</b>	<b>\$ 27,800</b>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents**1PM Industries, Inc.****Consolidated Statements of Operations  
(Unaudited)**

	<b>Three Months Ended August 31,</b>		<b>Six Months Ended August 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenue	\$ 14,294	\$ -	\$ 42,513	\$ -
Cost of goods	12,422	-	23,223	-
Gross profit	1,872	-	19,290	-
<b>Operating Expenses</b>				
Selling and general and administrative	623,097	22,556	1,005,102	27,898
Total operating expenses	623,097	22,556	1,005,102	27,898
<b>Net loss from operations</b>	<b>(621,225)</b>	<b>(22,556)</b>	<b>(985,812)</b>	<b>(27,898)</b>
<b>Other Income (expense)</b>				
Interest expense	(92,550)	-	(109,749)	-
Loss on derivatives	(129,354)	-	(104,496)	-
Total other expense	(221,904)	-	(214,245)	-
<b>Net loss</b>	<b>\$ (843,129)</b>	<b>\$ (22,556)</b>	<b>\$ (1,200,057)</b>	<b>\$ (27,898)</b>
<b>Net loss per common share, basic and diluted</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>103,861,488</b>	<b>100,092,395</b>	<b>102,139,728</b>	<b>100,092,395</b>

The accompanying notes are an integral part of these unaudited consolidated financial statements

Table of Contents**1PM Industries, Inc.****Consolidated Statements of Cash Flows****(Unaudited)**

	<b>Six Months Ended</b>	
	<b>August 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,200,057)	\$ (27,898)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	840,000	-
Amortization of debt discount	89,806	1,760
Loss on derivative	104,496	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,465)	-
Inventory	(3,950)	-
Security deposit	-	(18,600)
Prepaid expenses and other assets	-	(18,600)
Accounts payable and accrued liabilities	(16,115)	2,362
Due to related party	(1,740)	-
Net Cash Used in Operating Activities	(190,025)	(60,976)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributed capital	-	25
Borrowing on debt - related party	186,563	66,079
Repayment on debt - related party	(140,094)	(965)
Borrowing on debt	190,200	-
Repayments of debt	(21,442)	-
Net Cash Provided By Financing Activities	215,227	64,009
Net increase in cash and cash equivalents	25,202	3,033
Cash and cash equivalents, beginning of period	9,200	1,500
Cash and cash equivalents, end of period	\$ 34,402	\$ 4,533
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -
<b>Non-cash financing transactions:</b>		
Debt discount for imputed interest	\$ 9,279	\$ 1,760
Issuance of common stock for conversion of debt	\$ 37,820	\$ -
Discount for derivatives	\$ 92,500	\$ -
Resolution of derivative liabilities upon conversion of debt	\$ 52,283	\$ -



The accompanying notes are an integral part of these unaudited consolidated financial statements

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**1PM INDUSTRIES, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Our Company

Our business address is 312 S. Beverly Drive #3102, Beverly Hills, California 90212. 1PM Industries ("1PM", "we", "us", "our", the "Company" or the "Registrant") was originally incorporated in the State of Colorado on March 26, 1990 under the name of Southshore Corporation and changed our name to Torrent Energy Corp. on July 15, 2004 and changed our name to 1PM Industries on February 19, 2015. On June 5, 2014, the Company executed a merger with Embarr Farms, Inc. On June 5, 2014, the Company entered into an Agreement whereby the Company acquired 100% of Embarr Farms, Inc. Embarr Farms was the surviving Company and became a wholly owned subsidiary of the Company and changed the name of the Company to 1PM Industries. At the time of the merger, the Company had no operations, assets or liabilities. The Company selected February 28 as its fiscal year end. In September 2015, the Company launched a medical marijuana edible line under the brand name "Von Baron Farms". Von Baron Farms is wholly owned (100%) subsidiary of the Company.

Business of The Registrant

Von Baron Farms: In September 2015, the Company launched a medical marijuana edible line under the brand name "Von Baron Farms". The Company performed test marketing at 3 HempCon conventions and in dispensaries in Northern California.

The company began distributing product at [www.vonbaronfarms.com](http://www.vonbaronfarms.com) in November 2015. In November 2015 entered into distribution contracts for its products in dispensaries. In March 2016, the Company begun selling product to dispensaries.

The Company is also in the process of selling its Von Baron Farms product line in non-medical marijuana product line through Amazon and eBay. As such, the Company has terminated its previous agreement to sell 3<sup>rd</sup> part products to solely focus on its own products.

In January 2016, the Company has begun development of a CBD product line that will be capable of being sold nationwide.

**NewGenica Brand:** In March 2015, the Company developed a line health and wellness products under the "NewGenica" brand. The Company developed 4 products under this brand which are: AquaTrim, DreamTrim, Eat & Trim and D-Tox 15. The Company purchases the products from a 3rd party manufacturer who private labels health and wellness products. The Company has not begun selling products under the NewGenica brand as it has focused primarily on its Von Baron product line.

**Resell/Private Label:** During the period, the Company entered into an agreement with Nate's Food Co. to be the exclusive online distributor of products under the brand Nate's Homemade. The products were available under the Company's website [www.nateshomemadestore.com](http://www.nateshomemadestore.com). The Company terminated its relationship as online distributor for Nate's Food Co. and closed the online store on November 20, 2015.

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Basis of Presentation of Interim Financial Statements

The accompanying unaudited consolidated financial statements of 1PM Industries, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report filed with the SEC on Form 10-K, on June 20, 2016. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited consolidated financial statements for the most recent fiscal year 2016 as reported in Form 10-K on June 20, 2016, have been omitted.

Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation.

Accounts Receivable and Allowance for Uncollectible Accounts

Substantially all of the Company's accounts receivable balance is related to trade receivables. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments for products. Accounts with known financial issues are first reviewed and specific estimates are recorded. The remaining accounts receivable balances are then grouped in categories by the number of days the balance is past due, and the estimated loss is calculated as a percentage of the total category based upon past history. Account balances are charged against the allowance when it is probable that the receivable will not be recovered. As of August 31, 2016 and February 29, 2016, the Company had no valuation allowance for the Company's accounts receivable.

Inventory

Inventories, consisting of products available for sale, are primarily accounted for using the first-in first-out ("FIFO") method, and are valued at the lower of cost or market value. This valuation requires us to make judgments, based on

currently-available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. These assumptions about future disposition of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future.

## **NOTE 2 – GOING CONCERN**

The Company's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has nominal revenue to cover its operating costs, and it does not have sufficient cash flow to maintain its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company expects to develop its business and thereby increase its revenue. However, the Company would require sufficient capital to be invested into the Company to acquire the properties to begin generating sufficient revenue to cover the monthly expenses of the Company. Until the Company is able to generate revenue, the Company would be required to raise capital through the sale of its stock or through debt financing. Management may raise additional capital through future public or private offerings of the Company's stock or through loans from private investors, although there can be no assurance that it will be able to obtain such financing. The Company's failure to do so could have a material and adverse effect upon it and its shareholders. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

To this date the Company has relied on loans from related parties, mainly from its officers and directors, to finance its operations and growth. The Company expects to continue to fund the Company through debt and securities sales and issuances until the Company generates enough revenues through the operations. These transactions will initially be through related parties, such as the Company's officers and directors.

Table of Contents**NOTE 3 – RELATED PARTY TRANSACTIONS**Related party note payable

In conjunction with the process of product development, the Company borrowed from WB Partners, LLC, which is owned by an officer of the Company. The note is a non-interest bearing promissory note that is payable on December 31, 2018. The Company used 20% to impute interest on the non-interest bearing note. The discount is being amortized over the term of the note.

During the six months ended August 31, 2016, the Company borrowed a total amount of \$186,563 from WB Partners, LLC and repaid \$140,094 for the above note. Additionally, the Company recorded a discount of \$9,279 for the six months ended August 31, 2016, for the imputed interest of 20%.

As of August 31, 2016 and February 29, 2016, the Company owed a note payable – related party of \$147,549 net of a \$30,932 debt discount and \$103,699 net of a \$28,313 debt discount, respectively. During the six months ended August 31, 2016 and 2015, the Company recognized amortization of debt discount of \$6,660 and \$1,760, respectively.

**NOTE 4 – CONVERTIBLE NOTES PAYABLE ISSUED WITH WARRANTS – DERIVATIVE LIABILITIES**

The Company had the following convertible note payable outstanding as of August 31, 2016 and February 29, 2016:

	<b>August 31, 2016</b>	<b>February 29, 2016</b>
Promissory Note - Issued December 10, 2015	\$ 80,488	\$ 60,000
Promissory Notes - Issued in fiscal year 2017	140,000	-
Total convertible notes payable	220,488	60,000
Less: debt discount and deferred financing fees	(88,241)	(49,337)
	132,247	10,663
Less: current portion of convertible notes payable	131,456	-
Long-term convertible notes payable	\$ 791	\$ 10,663

During the six months ended August 31, 2016 and 2015, the Company recognized amortization of discount of \$83,146 and \$0, respectively.

*Promissory Note – December 10, 2015*

On December 10, 2015, the Company entered into a Securities Purchase Agreement pursuant to which the Company issued a convertible note in the amount of \$170,000, which included an original issue discount ("OID") of \$20,000, for net proceeds to be provided of \$150,000. Pursuant to the terms of the note, net proceeds of \$45,000 upon closure of the agreement, on which the Company recognized a pro-rated OID of \$15,000 in addition to the cash proceeds and two investor notes for \$50,000 each. The debt is convertible upon effective date of the note, debt holder can convert into common stock at \$0.30 per share unless market capitalization falls below \$10M at any time in which the conversion rate is reset to lower of conversion price and market price with a true-up provision. In addition to the convertible note, the Company granted to the same investor the right to purchase, at any time, three five-year 100,000 fully paid and non-assessable cashless warrants of Company's common stock. The exercise price of the cashless warrants are \$0.30 unless, while warrant is outstanding, the Company sells any common stock, debt, warrants, options, preferred shares or other instruments or securities which are convertible into or exercisable for shares of common stock, at an effective price per share less than the exercise price then such price shall become the exercise price.

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During six months ended August 31, 2016, the Company issued a convertible note of \$79,750 with 132,917 warrants according to the Securities Purchase Agreement on December 10, 2015 and the Company received cash of \$67,500 and recognized pro-rated OID of \$12,250.

The Company identified conversion features embedded within convertible debt and warrants issued during 2016 and 2015. The Company has determined that the conversion feature of the Notes represents an embedded derivative since the Notes include a reset provision which could cause adjustments upon conversion. Accordingly, the Notes are not considered to be conventional debt and the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. The warrants are exercisable into 232,917 shares of common stock, for a period of five years from issuance, at a price of \$0.30 per share. On June 6, 2016 the Company issued another convertible note to third party, as a result of the reset features the warrants became exercisable into 232,917 shares of common stock at \$0.10 per share. The reset feature of warrants associated with this convertible note was effective at the time that a separate convertible note with lower exercise price was issued. Per the terms of the warrants, once this separate convertible note was issued the reset feature was effective.

The Company determined that the conversion feature met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity's Own Stock and therefore bifurcated the embedded conversion option once the note becomes convertible and accounted for it as a derivative liability. The fair value of the conversion feature was recorded as a debt discount and amortized to interest expense over the term of the note.

The Company valued the conversion feature using the Black Scholes valuation model. The fair value of the derivative liability for all the note and warrants that became convertible during the six months ended August 31, 2016 amounted to \$88,894. \$67,500 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of \$21,394 was recognized as a "day 1" derivative loss.

During the six months ended August 31, 2016, the Company repaid notes with principal amounts totaling to \$21,442 and converted notes with principal amounts of \$37,820 into 1,927,112 shares of common stock. The corresponding derivative liability at the date of conversion of \$52,283 was credited to additional paid in capital.

*Promissory Notes - Issued in fiscal year 2017*

During the six months ended August 31, 2016, the Company issued a total of \$140,000 notes with the following terms:



- Terms ranging from 9 months to 2 years.

Certain notes allow the Company to redeem the notes at rates ranging from 130% to 150% depending on the redemption date provided that no redemption is allowed after the 180th day. Likewise, certain notes include original issue discounts totaling to \$17,300 and the Company received cash of \$122,700.

The Company identified conversion features embedded within certain notes and warrants issued during 2016. The Company has determined that the conversion feature of the Notes represents an embedded derivative since the Notes include a reset provision which could cause adjustments upon conversion. Accordingly, the Notes are not considered to be conventional debt and the embedded conversion feature must be bifurcated from the debt host and accounted for as a derivative liability. The warrants are exercisable into 1,875,000 shares of common stock, for a period of five years from issuance, at a price of \$0.10 per share. We accounted for the issuance of the Warrants as a derivative.

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The Company determined that the conversion feature met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity's Own Stock and therefore bifurcated the embedded conversion option once the note becomes convertible and accounted for it as a derivative liability. The fair value of the conversion feature was recorded as a debt discount and amortized to interest expense over the term of the note.

The Company valued the conversion feature using the Black Scholes valuation model. The fair value of the derivative liability for all the note and warrants that became convertible during six months ended August 31, 2016 amounted to \$111,687. \$25,000 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of \$86,687 was recognized as a "day 1" derivative loss.

*Warrants*

A summary of activity during the period ended August 31, 2016 follows:

	<b>Warrants Outstanding</b>	
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Outstanding, February 29, 2016	100,000	\$ 0.10
Granted	2,007,917	0.10
Exercised	-	-
Forfeited/canceled	-	-
Outstanding, August 31, 2016	2,107,917	\$ 0.10

The following table summarizes information relating to outstanding and exercisable warrants as of August 31, 2016:

<b>Number of Shares</b>	<b>Warrants Outstanding</b>		<b>Warrants Exercisable</b>	
	<b>Weighted Average Remaining Contractual life (in years)</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
232,917	4.28	\$ 0.10	232,917	\$ 0.10

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1,875,000	4.95	0.10	1,875,000	0.10
2,107,917	4.77	0.10	2,107,917	0.10

Table of Contents**NOTE 5 - DERIVATIVE LIABILITIES**

The Company analyzed the conversion option for derivative accounting consideration under ASC 815, Derivatives and Hedging, and hedging, and determined that the instrument should be classified as a liability since the conversion option becomes effective at issuance resulting in there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options.

ASC 815 requires we assess the fair market value of derivative liability at the end of each reporting period and recognize any change in the fair market value as other income or expense item.

The Company determined our derivative liabilities to be a Level 3 fair value measurement and used the Black-Scholes pricing model to calculate the fair value as of August 31, 2016. The Black-Scholes model requires six basic data inputs: the exercise or strike price, time to expiration, the risk free interest rate, the current stock price, the estimated volatility of the stock price in the future, and the dividend rate. Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each convertible note is estimated using the Black-Scholes valuation model. The following weighted-average assumptions were used in the August 31, 2016 and February 29, 2016 valuations:

	<b>Six Months Ended August 31, 2016</b>	<b>Year Ended February 29, 2016</b>
Expected life in years	0.52 - 5.00	1.03 - 5.01
Stock price volatility	244 - 490%	304 - 532%
Risk free interest rate	0.44 - 1.42%	0.62 - 1.68%
Expected dividends	None	None

The following table summarizes the changes in the derivative liabilities during the six months ended August 31, 2016:

Balance - February 29, 2016	\$ 81,191
Addition of new derivative recognized as debt discounts	92,500
Addition of new derivatives recognized as loss on derivatives	108,081
Derivatives settled upon conversion of debt	(52,283)
Re-measurement – August 31, 2016	-
Gain on change in fair value of the derivative	(3,585)

Balance - August 31, 2016	\$ 225,904
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The net loss on derivatives during the six months ended August 31, 2016 and 2015 was \$104,496 and \$0, respectively.

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**NOTE 6 – EQUITY**

*Series F Preferred Stock*

There were no issuances of the Series F Preferred Stock during the six months ended August 31, 2016.

*Common Stock*

During the six months ended August 31, 2016, the Company issued common stock, as follows;

- 2,000,000 shares of common stock to employees, with a fair value of \$300,000, for work related to the Company's activities in California.

**NOTE 7 – SUBSEQUENT EVENT**

Subsequent to August 31, 2016, a total of \$50,000 convertible debt was converted, resulting in the issuance of 7,690,283 common shares.

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**ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*Certain matters discussed herein are forward-looking statements. Such forward-looking statements contained herein involve risks and uncertainties, including statements as to:*

- *our future operating results;*
- *our business prospects;*
- *our contractual arrangements and relationships with third parties;*
- *the dependence of our future success on the general economy;*
- *our possible financings; and*
- *the adequacy of our cash resources and working capital.*

*These forward-looking statements can generally be identified as such because the context of the statement will include words such as we “believe,” “anticipate,” “expect,” “estimate” or words of similar meaning. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this report, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.*

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto, included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this report, particularly in the “Risk Factors” section.

Critical Accounting Policies and Estimates.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources.



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**Business Of The Registrant**

Von Baron Farms: In September 2015, the Company launched a medical marijuana edible line under the brand name “Von Baron Farms”. The Company performed test marketing at 2 HempCon conventions and in dispensaries in Northern California. The Company currently is selling its Award Winning Pancake and Waffle in 4 flavors: Buttermilk, Banana Bread, Strawberry Shortbread, and Blueberry. The company will begin selling product at [www.vonbaronfarms.com](http://www.vonbaronfarms.com) in November 2015.

The Company’s Pancake and Waffle Batter won "Best Edible" and “Connoisseurs' Choice Award” at Dap Cup 2015. Awards are chosen by a panel consisting of 20 hand-picked cannabis industry professionals, 20 VIP Judge passes, and five official Hempcon Judges. They rate each entry on a scale from 1 (weak) to 10 (strong) in each of the following categories:

1. Smell and Aroma

The Company has entered into discussions to license its Von Baron Farms brand and distribution to 3rd parties.

**RESULTS OF OPERATIONS**

We are a development stage corporation with only limited early stage operations. Our independent auditors included an explanatory paragraph in their report on the accompanying financial statements regarding concerns about our ability to continue as a going concern. This means that our auditors believe there is substantial doubt that we can continue as an on-going business for the next 12 months. We do not anticipate generating significant revenues until we are able to open our first restaurant. Accordingly, we must raise additional cash from sources other than operations.

**Limited Operating History; Need for Additional Capital**

There is limited historical financial information about us upon which to base an evaluation of our performance. We are in the early stages of developing operations. We cannot guarantee that we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns, such as increases in marketing costs, increases in administration

expenditures associated with daily operations, increases in accounting and audit fees, and increases in legal fees related to filings and regulatory compliance.

Table of Contents**Revenue**

The Company had the following gross profit:

	<b>Three Months Ended August 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Revenue	\$ 14,294	\$ -	\$ 14,294
Cost of revenue	12,422	-	12,422
Gross profit	\$ 1,872	\$ -	\$ 1,872
Gross profit %	13%	-	

	<b>Six Months Ended August 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Revenue	\$ 42,513	\$ -	\$ 42,513
Cost of goods sold	23,223	-	23,223
Gross Profit	\$ 19,290	\$ -	\$ 19,290
Gross profit %	45%	-	

The Company did not have any revenues for the comparative periods ended August 31, 2015. The Company realized a significant drop in gross profit percentage in the three months ended August 31, 2016, due to increased packaging costs on using child proof containers.

**Operating Expenses**

The Company had the following operating expenses:

Operating Expenses

The Company had the following operating expenses:

**Three Months Ended August  
31,**

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	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>%</b>
Selling and general and administrative	\$ 623,097	\$ 22,556	\$ 600,541	2,662%
Total Expenses	\$ 623,097	\$ 22,556	\$ 600,541	2,662%

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For the Three Months ended August 31, 2016 and 2015, the Company had \$623,097 and \$22,556 in operating expenses, respectively. The increase in selling and general and administrative expenses is primarily due to stock-based compensation of \$540,000, salary and commissions of approximate \$27,000 and rent expenses of approximate \$11,000 in 2016.

	<b>Six Months Ended August 31,</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>%</b>
Selling and general and administrative	\$ 1,005,102	\$ 27,898	\$ 977,204	3,503%
Total Expenses	\$ 1,005,102	\$ 27,898	\$ 977,204	3,503%

For the Six Months ended August 31, 2016 and 2015, the Company had \$1,005,102 and 27,898 in operating expenses, respectively. The increase in selling and general and administrative expenses is primarily due to stock-based compensation of \$840,000, salary and commissions of approximate \$54,000 and rent expenses of approximate \$29,000 in 2016.

Other Income (expense)

	<b>Three Months Ended August</b>		
	<b>31,</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Interest expense	\$ (92,550)	\$ -	\$ (92,550)
Loss on derivative	(129,354)	-	(129,354)
Total Expenses	\$ (221,904)	\$ -	\$ (221,904)

Other income totaled \$221,904 for the three months ended August 31, 2016 compared to \$0 for the three months ended August 31, 2015. The increase in other expense was related to an increase in interest expense of \$92,550 and loss on derivative of \$129,354.

	<b>Six Months Ended August 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Interest expense	\$ (109,749)	\$ -	\$ (109,749)
Loss on derivative	(104,496)	-	(104,496)
Total Expenses	\$ (214,245)	\$ -	\$ (214,245)

Other income totaled \$214,245 for the six months ended August 31, 2016 compared to \$0 for the six months ended August 31, 2015. The increase in other expense was related to an increase in interest expense of \$109,749 and loss on derivative of \$104,496.



Table of ContentsNet Loss

For the Three Months ended August 31, 2016 and 2015, the Company had a loss of \$843,129 and \$22,556, respectively. For the Six Months ended August 31, 2016 and 2015, the Company had a loss of \$1,200,057 and \$27,898, respectively. This was derived as follows:

<b>Three Months Ended August 31,</b>				
	<b>2016</b>		<b>2015</b>	<b>Change</b>
Revenue	\$ 14,294	\$	-	\$ 14,294
Cost of goods	12,422		-	12,422
Operating Expenses	623,097		22,556	600,541
Interest expense	(92,550)		-	(92,550)
Loss on derivative	(129,354)		-	(129,354)
Net Loss	\$ (843,129)	\$	(22,556)	(820,573)

<b>Six Months Ended August 31,</b>				
	<b>2016</b>		<b>2015</b>	<b>Change</b>
Revenue	\$ 42,513	\$	-	\$ 42,513
Cost of goods	(23,223)		-	(23,223)
Operating Expenses	(1,005,102)		(27,898)	(977,204)
Interest expense	(109,749)		-	(109,749)
Loss on derivative	(104,496)		-	(104,496)
Net Loss	\$ (1,200,057)	\$	(27,898)	\$ (1,172,159)

Dividends

The Company has not paid dividends on its common stock.

**Liquidity and Capital Resources**

The following tables presents selected financial information on our capital as of August 31, 2016 and February 29, 2016.

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	<b>August 31, 2016</b>	<b>February 29, 2016</b>	<b>Change</b>	<b>%</b>
Cash	\$ 34,402	\$ 9,200	\$ 25,202	274%
Total Assets	\$ 59,417	\$ 27,800	\$ 31,617	114%
Total Liabilities	\$ 543,263	\$ 250,971	\$ 292,292	116%
Stockholders' Deficit	\$ (483,846)	\$ (223,171)	\$ (260,675)	117%

	<b>August 31, 2016</b>	<b>February 29, 2016</b>	<b>Change</b>	<b>%</b>
Current Assets	\$ 40,817	\$ 9,200	\$ 31,617	344%
Current Liabilities	394,923	136,609	258,314	189%
Working Capital Deficiency	\$ (354,106)	\$ (127,409)	\$ (226,697)	178%



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As of August 31, 2016, the Company had \$34,402 in cash for a total of \$59,417 in assets and realized an increase in working capital deficiency, from February 29, 2016. In management's opinion, the Company's cash position is insufficient to maintain its operations at the current level for the next 12 months. Any expansion may cause the Company to require additional capital until such expansion began generating revenue. It is anticipated that the raise of additional funds will principally be through the sales of our securities. As of the date of this report, additional funding has not been secured and no assurance may be given that we will be able to raise additional funds.

If the Company is not able to raise or secure the necessary funds required to maintain our operations and fully execute our business then the Company would be required to cease operations.

As of August 31, 2016, our total liabilities were \$543,263.

The Company's officers, directors and principal shareholders have verbally agreed to provide additional capital, up to \$100,000, to the Company to fund its current operations until the Company can raise additional capital. As of the date of this filing, the Company has borrowed approximately \$178,481 from Joseph Wade.

In the opinion of management, available funds will not satisfy our growth requirements for the next twelve months. We believe our currently available capital resources will allow us to begin operations and maintain its operation over the course of the next 12 months; however, our other expansion plans would be put on hold until we could raise sufficient capital.

**Dividend Policy**

The Company has not paid dividends on its Common Stock in the past. The Company has no plans to issue dividends in the future.

**Going Concern**

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive exploration activities. For these reasons our auditors stated in their report that they have substantial doubt we will be able to continue as a going concern.

**Off-balance sheet arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

**Critical Accounting Policies**

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the notes to our financial statements included in this prospectus. We have consistently applied these policies in all material respects. Below are some of the critical accounting policies:

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*Revenue Recognition*

It is the company's policy that revenues and gains will be recognized in accordance with ASC Topic 605-10-25, "Revenue Recognition." Under ASC Topic 605-10-25, revenue earning activities are recognized when the company has substantially accomplished all it must do to be entitled to the benefits represented by the revenue.

*Stock-based Compensation*

Accounting Standards Codification ("ASC") 718, "Accounting for Stock-Based Compensation" established financial accounting and reporting standards for stock-based compensation plans. It defines a fair value based method of accounting for an employee stock option or similar equity instrument. The Company accounts for compensation cost for stock option plans and for share based payments to non-employees in accordance with ASC 718. Accordingly, employee share-based payment compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period. Additionally, share-based awards to non-employees are expensed over the period in which the related services are rendered at their fair value. The Company accounts for share based payments to non-employees in accordance with ASC 505-50 "Accounting for Equity Instruments Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services".

*Derivative Financial Instruments*

The fair value of an embedded conversion option that is convertible into a variable amount of shares and warrants that include price protection reset provision features are deemed to be "down-round protection" and, therefore, do not meet the scope exception for treatment as a derivative under ASC 815 "Derivatives and Hedging," since "down-round protection" is not an input into the calculation of the fair value of the conversion option and warrants and cannot be considered "indexed to the Company's own stock" which is a requirement for the scope exception as outlined under ASC 815.

The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of its derivative instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The Black-Scholes option valuation model was used to estimate the fair value of the embedded conversion options and warrants. The model includes subjective input assumptions that can materially affect the fair value estimates. The expected volatility is estimated based on the most recent historical period of time, of our common stock, equal to the weighted average life of the options.

Conversion options are recorded as debt discount and are amortized as interest expense over the life of the underlying debt instrument.

### **Emerging Growth Company Status**

We are an “emerging growth company” as defined under the Jumpstart Our Business Startups Act, commonly referred to as the JOBS Act. We will remain an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

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As an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to:

- not being required to comply with the auditor attestation requirements of section 404(b) of the Sarbanes-Oxley Act (we also will not be subject to the auditor attestation requirements of Section 404(b) as long as we are a “smaller reporting company,” which includes issuers that had a public float of less than \$ 75 million as of the last business day of their most recently completed second fiscal quarter);
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Under this provision, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. In other words, an “emerging growth company” can delay the adoption of such accounting standards until those standards would otherwise apply to private companies until the first to occur of the date the subject company (i) is no longer an “emerging growth company” or (ii) affirmatively and irrevocably opts out of the extended transition period provided in Securities Act Section 7(a) (2) (B). The Company has elected to take advantage of this extended transition period and, as a result, our financial statements may not be comparable to the financial statements of other public companies. Accordingly, until the date that we are no longer an “emerging growth company” or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a) (2) (B), upon the issuance of a new or revised accounting standard that applies to your financial statements and has a different effective date for public and private companies, clarify that we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard.

**Accounting and Audit Plan**

In the next twelve months, we anticipate spending approximately \$15,000 - \$20,000 to pay for our accounting and audit requirements.

**Off-balance sheet arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

**Our Website.**

Our website can be found at [www.1PMIndustries.com](http://www.1PMIndustries.com).

**Intellectual Property**

In March 2015, the Company filed to trademark the following names: NewGenica (Serial No. 86550848), AquaTrim (Serial No. 86550840), DreamTrim (Serial No. 86550836), and Eat & Trim (Serial No. 86550843).

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**ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company, as a smaller reporting company, as defined by Rule 229.10(f)(1), is not required to provide the information required by this Item.

**ITEM 4 – CONTROLS AND PROCEDURES**

*(a) Evaluation of Disclosure Controls and Procedures*

Our principal executive and principal financial officers have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC’s rules and forms and that the information is gathered and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

The reason we believe our disclosure controls and procedures are not effective is because:

1. No independent directors;
2. No segregation of duties;
3. No audit committee; and
4. Ineffective controls over financial reporting.

As of August 31, 2016, the Company has not taken any remediation actions to address these weaknesses in our controls even though they were identified in April 2014. The Company’s management expects, once it is in the financial position to do so, to hire additional staff in its accounting department to be able to segregate the duties. The Company expects that the expense will be approximately \$60,000 per year which would allow the Company to hire 2 new staff members.

This 10-Q does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to Rule 308(b) of Regulation S-K.

***(b) Changes in Internal Control Over Financial Reporting***

There were no changes in the Company's internal controls over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



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PART II -- OTHER INFORMATION

**ITEM 1. LEGAL PROCEEDINGS**

None.

**ITEM 1A. RISK FACTORS**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

The above statement notwithstanding, shareholders and prospective investors should be aware that certain risks exist with respect to the Company and its business, including those risk factors contained in our most recent Registration Statements on Form S-1 and Form 10, as amended. These risks include, among others: limited assets, lack of significant revenues and only losses since inception, industry risks, dependence on third party manufacturers/suppliers and the need for additional capital. The Company's management is aware of these risks and has established the minimum controls and procedures to insure adequate risk assessment and execution to reduce loss exposure.

**ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS**

1,927,112 unregistered securities were issued during the period ending August 31, 2016. The shares were issued to Typenex Co-Investment, LLC as payment for the convertible debenture issued by the Company.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

There was no other information during the quarter ended August 31, 2016 that was not previously disclosed in our filings during that period.

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**ITEM 6. EXHIBITS**

<u>31.1</u>	<u>Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002</u>
<u>32.1</u>	<u>Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

**1PM Industries, Inc.**

Date: October 21, 2016

By: */s/ Joseph Wade*  
Joseph Wade  
Chief Executive and Financial Officer