1PM Industries
Form 10-Q
October 17, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **August 31, 2017**

or

o TRANSITION REPORT UNDER 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	**473278534**
	(IRS Employer Identification No.)

(State or other jurisdiction of incorporation or organization)

312 S. Beverly Drive, #3401, Beverly Hills, CA	**90212**
(Address of principal executive offices)	(Zip Code)

(424) 253-9991
(Registrant's telephone number, including area code)

_____
(Former name, former address and former fiscal year, if changed since last report)

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. x 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). o YES x NO

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

Large accelerated filer	o		Accelerated filer	o
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	x
			Emerging growth company	x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) o YES x NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. o YES o NO

APPLICABLE ONLY TO CORPORATE ISSUERS

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

1,438,752,319 common stock and 4,000,000 Class F Preferred Stock issued and outstanding as of October 13, 2017

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

1PM Industries, Inc.

Consolidated Balance Sheets

(Unaudited)

	August 31, 2017	February 28, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 329,770	$ 360,941
Marketable securities	296,903	12,206,493
Total Current Assets	626,673	12,567,434
Notes receivable	409,125	5,000
Security deposit	-	18,600
TOTAL ASSETS	**$ 1,035,798**	**$ 12,591,034**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	$ 38,227	$ 291,378
Deferred revenue	50,000	-
Convertible notes payable, net of discount of $285,614 and $61,134, respectively	89,319	115,107
Derivative liability	1,461,818	494,785
Total Current Liabilities	1,639,364	901,270
Convertible notes payable, net of discount of $87,928 and $13,771, respectively	22,072	5,269
Note payable – Related Party, net of discount $25,479 and $24,980, respectively	237,034	161,946
TOTAL LIABILITIES	1,898,470	1,068,485
Stockholders' Equity (Deficit)		
Preferred stock: 10,000,000 authorized; $0.001 par value 5,000,000 shares undesignated; $0.001 par value, none issued outstanding	-	-
Series F Preferred Stock, Par Value $.0001, 5,000,000 shares designated, 4,000,000 issued and outstanding, respectively	400	400
	93,222	24,495

Common Stock, Par Value $.0001, 5,000,000,000 shares authorized, 932,222,319 and 244,948,828 issued and outstanding, respectively		
Additional paid in capital	3,896,799	1,884,113
Retained earnings (deficit)	(4,853,093)	9,613,541
Total Stockholders' Equity (Deficit)	(862,672)	11,522,549
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	**$ 1,035,798**	**$ 12,591,034**

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

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1PM Industries, Inc.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2017	**2016**	**2017**	**2016**
Revenue	$ 55,000	$ -	$ 55,000	$ -
Operating Expenses				
Selling and general and administrative	23,411	-	1,098,395	-
Total operating expenses	23,411	-	1,098,395	-
Net loss from operations	31,589	-	(1,043,395)	-
Other Income (expense)				
Gain on sale of marketable securities	350,690	-	1,628,014	-
Unrealized gain (loss) on marketable securities	185,153	-	(11,984,719)	-
Interest expense, net	(88,558)	(92,550)	(264,586)	(109,749)
Gain (loss) on derivatives	270,498	(129,354)	(2,180,308)	(104,496)
Loss on settlement of debt	(164,277)	-	(164,277)	-
Total other income (expense)	553,506	(221,904)	(12,965,876)	(214,245)
Net income (loss) from continued operation	585,095	(221,904)	(14,009,271)	(214,245)
Loss from Discontinued Operation, Net of Tax Benefits	-	(621,225)	-	(985,812)
Net income (loss)	**$ 585,095**	**$ (843,129)**	**$ (14,009,271)**	**$ (1,200,057)**
Dividend on Series F Preferred Stock	(62,500)	-	(457,363)	**-**
Net income (loss) attributable to common stockholders	$ 522,595	$ (843,129)	$ (14,466,634)	$ (1,200,057)
Basic loss per common share from:				
Continuing operations	$ 0.00	$ (0.00)	$ (0.02)	$ (0.00)

Discontinuing operations	$ -	$ (0.01)	$ -	$ (0.01)
Net income (loss)	$ 0.00	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding, basic	731,778,624	103,861,488	579,750,102	102,139,728
Diluted earnings (loss) per common share from:				
Continuing operations	$ 0.00	$ (0.00)	$ (0.02)	$ (0.00)
Discontinuing operations	$ -	$ (0.01)	$ -	$ (0.01)
Net income (loss)	$ 0.00	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding, diluted	6,813,743,791	103,861,488	579,750,102	102,139,728

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

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1PM Industries, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended August 31,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (14,009,271)	$ (1,200,057)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	110,526	840,000
Amortization of debt discount	159,893	89,806
(Gain) on sale of marketable securities	(1,628,014)	-
Loss on derivative	2,180,308	104,496
Unrealized loss on marketable securities	11,984,719	-
(Gain) Loss on settlement of debt	164,277	-
Changes in operating assets and liabilities:		
Accounts receivable	-	(2,465)
Inventory	-	(3,950)
Securities deposit	18,600	-
Accounts payable and accrued liabilities	(154,193)	(16,115)
Due to related party	-	(1,740)
Net Cash Used in Operating Activities	(1,173,155)	(190,025)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	(64,000)	-
Proceeds from sale of marketable securities	1,666,885	-
Lending of money	(404,125)	-
Net Cash Provided by Investing Activities	1,198,760	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt - related party	268,950	186,563
Repayment on debt - related party	(193,363)	(140,094)
Preferred stock cash dividends paid	(457,363)	-
Proceeds from debt	325,000	190,200
Repayments of debt	-	(21,442)
Net Cash Provided by (Used in) Financing Activities	(56,776)	215,227
Net increase (decrease) in cash and cash equivalents	(31,171)	25,202
Cash and cash equivalents, beginning of year	360,941	9,200
Cash and cash equivalents, end of year	$ 329,770	$ 34,402

Supplemental cash flow information				
Cash paid for interest	$	-	$	-
Cash paid for taxes	$	-	$	-
Non-cash financing transactions:				
Debt discount for imputed interest	$	12,029	$	9,279
Common stock issued in exchange for cashless warrants	$	14,150	$	-
Issuance of common stock for conversion of debt	$	198,806	$	37,820
Discount for derivatives	$	382,500	$	92,500
Derivatives settled upon conversion of debt	$	1,760,052	$	52,283
Marketable securities received for deferred revenue	$	50,000	$	-

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

Organization, Nature of Business and Trade Name

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. The Company selected February 28 as its fiscal year end. On February 23, 2017, the Company acquired 100% of Novus Group LLC (dba NG Advisors), which became our wholly owned subsidiary.

Our main business is providing consulting services to a wide variety of companies in diverse industries transform from a private company to a public company. We target companies that are in the start-up phase of their operations. We intend to assist the companies by incubating them and then merging the company into a public company through a reverse merger.

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 14, 2017. 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 2017 as reported in Form 10-K filed on

June 14, 2017, have been omitted.

Principles of Consolidation

The consolidated financial statements include the accounts of 1PM Industries, Inc. and its subsidiaries. Intercompany transactions and balances have been eliminated.

Variable Interest Entities

The Company follows ASC 810-10-15 guidance with respect to accounting for variable interest entities (each, a "VIE"). These entities do not have sufficient equity at risk to finance their activities without additional subordinated financial support from other parties or whose equity investors lack any of the characteristics of a controlling financial interest. A variable interest is an investment or other interest that will absorb portions of a VIE's expected losses or receive portions of its expected residual returns and are contractual, ownership, or pecuniary in nature and that change with changes in the fair value of the entity's net assets. A reporting entity is the primary beneficiary of a VIE and must consolidate it when that party has a variable interest, or combination of variable interests, that provides it with a controlling financial interest. A party is deemed to have a controlling financial interest if it meets both of the power and losses/benefits criteria. The power criterion is the ability to direct the activities of the VIE that most significantly impact its economic performance. The losses/benefits criterion is the obligation to absorb losses from, or right to receive benefits from, the VIE that could potentially be significant to the VIE. The VIE model requires an ongoing reconsideration of whether a reporting entity is the primary beneficiary of a VIE due to changes in facts and circumstances.

The Company has entered into certain transactions with VIEs during the period; however, the Company is not considered to be the Primary beneficiary in these transactions.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognized assets and liabilities ("fair value hedges"). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

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Fair Value of Financial Instruments

As defined in ASC 820 *"Fair Value Measurements,"* fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The following table summarizes fair value measurements by level at August 31, 2017 and February 28, 2017, measured at fair value on a recurring basis:

August 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment in marketable securities – available for sale	$ 246,903	$ 50,000	$ -	$ 296,903
Liabilities				
Derivative liabilities	$ -	$ -	$ 1,461,818	$ 1,461,818

February 28, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment in marketable securities – available for sale	$ 12,206,493	$ -	$ -	$ 12,206,493
Liabilities				
Derivative liabilities	$ -	$ -	$ 494,785	$ 494,785

Reclassification

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

Recent Accounting Pronouncements

In September 2017, the FASB has issued Accounting Standards Update (ASU) No. 2017-13, “Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments.” The amendments in ASU No. 2017-13 amends the early adoption date option for certain companies related to the adoption of ASU No. 2014-09 and ASU No. 2016-02. Both of the below entities may still adopt using the public company adoption guidance in the related ASUs, as amended. The effective date is the same as the effective date and transition requirements for the amendments for ASU 2014-09 and ASU 2016-02.

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 minimal 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.

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NOTE 3 – NOTES RECEIVABLE

The Company has advanced funds to certain unrelated companies, over multiple periods, and issued notes receivable for these amounts. The notes receivable are unsecured, 0% interest bearing for the initial 9 months and then 5% interest bearing and payable on December 31, 2018.

During the six months ended August 31, 2017, the Company advanced $404,125 to certain unrelated companies. As of August 31, 2017 and February 28, 2017, the Company had notes receivable of $409,125 and $5,000, respectively.

Variable Interest Entity

The Company has performed an analysis of the notes receivable balance under ASC 810-10, and has determined the notes receivable in these unrelated companies are variable interest entities ("VIE") and depends on the Company, as well as additional parties, for continuing financial support in order to maintain operations. However, the Company cannot make key operating decisions considered to be most significant to the VIE, and is therefore not considered to be the primary beneficiary. The Company's maximum exposure to loss approximates to the carrying value of the notes receivable balance at August 31, 2017.

NOTE 4 – MARKETABLE SECURITIES

On April 4, 2017, the Company entered into a consulting agreement and acquired non-voting convertible Series A Preferred Stock. As of August 31, 2017, the Company recorded deferred revenue of $50,000 as this consulting service was not completed. The Series A Preferred Stock is convertible into 9.9% of the common stock of a company who we identified as a VIE (Note 3).

The following table shows the Company's available-for-sale securities as of August 31, 2017:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
347,751 shares of common stock	$ 34,775	$ 212,128	$ -	$ 246,903
Convertible Series A Preferred Stock	50,000	-	-	50,000

	84,775	212,128	-	296,903

During the six months ended August 31, 2017, the Company purchased 640,000 shares for $64,000 and sold 3,799,862 shares in its common stock investment, received cash of $1,666,885 and recorded a gain on sale of marketable securities of $1,628,014.

The Company fair valued the marketable security in common stock at August 31, 2017 and recorded an unrealized loss on change in fair value of $11,984,719.

NOTE 5 – 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, 2017, the Company borrowed a total amount of $268,950 from WB Partners, LLC and repaid $193,363 for the above note. Additionally, the Company recorded a discount of $12,029 for the six months ended August 31, 2017, for the imputed interest of 20%.

As of August 31, 2017, and February 28, 2017, the Company owed a note payable – related party of $237,034 net of a $25,479 debt discount and $161,946 net of a $24,980 debt discount, respectively. During the six months ended August 31, 2017 and 2016, the Company recognized amortization of debt discount of $11,530 and $6,660, respectively.

Equity

During the period ended August 31, 2017 and 2016, there were distributions to owners of $457,363 and $0, respectively.

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NOTE 6 – CONVERTIBLE NOTES PAYABLE

The Company had the following convertible notes payable outstanding as of August 31, 2017 and February 28, 2017:

	August 31, 2017	February 28, 2017
Promissory Note - Issued December 10, 2015	$ 25,961	$ 66,461
Promissory Note - Issued in fiscal year 2017	68,972	128,820
Promissory Note - Issued in fiscal year 2018	390,000	-
Total convertible notes payable	484,933	195,281
Less: debt discount and deferred financing fees	(373,542)	(74,905)
	111,391	120,376
Less: current portion of convertible notes payable	89,319	115,107
Long-term convertible notes payable	$ 22,072	$ 5,269

During the six months ended August 31, 2017 and 2016, the Company recognized amortization of discount of $148,363 and $83,146, 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 were received 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.

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 283,334 shares of common stock, for a period of five years from issuance, at a price of $0.30 per share. As a result of the reset features the warrants became exercisable into 850,002 shares of common stock at $0.00085 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 reset provision calls for the increase in warrants not to exceed a number equal to 3 times the number of warrant shares issuance under this warrant as of the issue date

During the six months ended August 31, 2017, the Company converted notes with principal amounts and accrued interest of $71,960 into 209,319,734 shares of common stock. The corresponding derivative liability at the date of conversion of $345,571 was credited to additional paid in capital.

Promissory Notes - Issued in fiscal year 2017

During the year ended February 28, 2017, the Company issued a total of $227,500 notes with the following terms:

- Terms ranging from 9 months to 2 years.
- Annual interest rates of 10% - 12%.
- Convertible at the option of the holders either at issuance or 180 days from issuance. The note dated June 6, 2016 is convertible at September 6, 2016.
- Conversion prices are typically based on the discounted (35% to 60% discount) lowest trading prices of the Company’s shares during various periods prior to conversion. Certain notes allow for the conversion price to be the lower of the closing sale price or the discounted trading price.

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Certain notes allow the Company to redeem the notes at rates ranging from 125% to 145% depending on the redemption date provided that no redemption is allowed after the 180th day. Likewise, certain notes include original issue discounts totaling to $34,600 and the Company received cash of $192,900.

During the six months ended August 31, 2017, the Company amended the term of one convertible note issued in fiscal year 2017 and recorded loss on debt extinguishment of $164,277.

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 conversion price is variable and 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 and 10,181,704 shares of common stock, for a period of five years from issuance, at a price of $0.10 and $0.0059 per share, respectively. We accounted for the issuance of the Warrants as a derivative. As a result of the reset features, the warrants became exercisable into 209,171,982 shares of common stock at $0.00085 per share. Disclose that it’s also because it’s a variable conversion

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.

During the six months ended August 31, 2017, the Company converted notes with principal amounts and accrued interest of $126,846 into 316,716,915 shares of common stock. The corresponding derivative liability at the date of conversion of $612,799 was credited to additional paid in capital.

Promissory Notes - Issued in fiscal year 2018

During the six months ended August 31, 2017, the Company issued a total of $390,000 note with the following terms:

- Terms ranging from 9 months to 2 years.
- Annual interest rates of 10 - 12%.

- Convertible at the option of the holders at issuance.
- Conversion prices are typically based on the discounted (40% to 60% discount) lowest trading prices of the Company's shares during various periods prior to conversion.

The notes allow the Company to redeem the note at rates of 125%. Likewise, the note includes original issue discounts totaling to $65,000 and the Company received cash of $325,000.

The Company identified conversion features embedded within certain notes and warrants issued during the period ended August 31, 2017. The Company has determined that the conversion feature of the Notes represents an embedded derivative since the conversion price is variable and 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 129,629,630 shares of common stock, for a period of five years from issuance, at a price of $0.0059 per share. We accounted for the issuance of the Warrants as a derivative. Disclose that it's also because it's a variable conversion

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 for six months ended August 31, 2017 amounted to $1,440,974. $382,500 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of $1,115,974 was recognized as a "day 1" derivative loss.

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Warrants

A summary of activity during the period ended August 31, 2017 follows:

	Warrants Outstanding	
	Shares	Weighted Average Exercise Price
Outstanding, February 28, 2017	42,811,367	$ 0.0059
Granted	129,629,630	0.0059
Reset features	209,171,982	0.00085
Exercised	(177,186,059)	0.00085
Forfeited/canceled	-	-
Outstanding, August 31, 2017	204,426,920	$ 0.0041

The following table summarizes information relating to outstanding and exercisable warrants as of August 31, 2017:

Warrants Outstanding			Warrants Exercisable	
Number of Shares	Weighted Average Remaining Contractual life (in years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
850,002	3.28	$ 0.00085	850,002	$ 0.00085
43,402,176	3.95	0.00085	43,402,176	0.00085
30,545,112	4.34	0.00085	30,545,112	0.00085
129,629,630	4.34	0.0059	129,629,630	0.0059
204,426,920	4.46	0.0041	204,426,920	0.0041

Aggregate intrinsic value is the sum of the amounts by which the quoted market price of the Company's stock exceeded the exercise price of the warrants at August 31, 2017 and February 28, 2017 for those warrants for which the quoted market price was in excess of the exercise price. The warrants have intrinsic value of $0 and $0 at August 31, 2017 and February 28, 2017.

NOTE 7 - 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, 2017. 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, 2017 and February 28, 2017 valuations:

	Six Months Ended	**Year Ended**
	August 31, 2017	**February 28, 2017**
Expected life in years	0.02 - 5.00	0 - 5.00
Stock price volatility	245 - 548%	187 - 490%
Risk free interest rate	0.56 - 1.93%	0.3 - 2.07%
Expected dividends	None	None

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The following table summarizes the changes in the derivative liabilities during the six months ended August 31, 2017:

Balance - February 28, 2017	$ 494,785
Addition of new derivative recognized as debt discounts	382,500
Addition of new derivatives recognized as loss on derivatives	1,115,974
Derivatives settled upon conversion of debt	(1,760,052)
Loss on debt extinguishment	164,277
Re-measurement – August 31, 2017	
Loss on change in fair value of the derivative	1,064,334
Balance - August 31, 2017	$ 1,461,818

The net loss on derivatives during the six months ended August 31, 2017 and 2016 was $2,180,308 and $104,496, respectively.

NOTE 8 – EQUITY

Series F Preferred Stock

There were no issuances of the Series F Preferred Stock during the six months ended August 31, 2017.

Common Stock

During the six months ended August 31, 2017, the Company issued common stock, as follows;

- 19,736,842 shares of common stock for services with a fair value of $110,526
- 526,036,649 shares of common stock were issued for the conversion of debt and accrued interest of $198,806.
- 141,500,000 shares of common stock were issued in exchange for 177,186,059 cashless warrants.

Distribution

During the period ended August 31, 2017 and 2016, there were distributions to owners of $457,363 and $0, respectively.

NOTE 9 – DISCONTINUED OPERATIONS

On October 14, 2016, the Company decided to exit the field of medical marijuana edibles marketed under the Von Baron Farms brand.

The change of the business qualified as a discontinued operation of the Company and accordingly, the Company has excluded results of the operations from its Consolidated Statements of Operations to present this business in discontinued operations.

The following table shows the results of operations of 1PM for the period ended August 31, 2016 which are included in the loss from discontinued operations:

	Three Months Ended August 31, 2016	Six Months Ended August 31, 2016
Revenue	$ 14,294	$ 42,513
Cost of goods	12,422	23,223
Gross profit	1,872	19,290
Selling and administrative expenses	623,097	1,005,102
Operating loss	(621,225)	(985,812)
Earnings from discontinued operations before income taxes	(621,225)	(985,812)
Income tax provision	-	-
Loss from discontinued operations, net of tax	$ (621,225)	$ (985,812)

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NOTE 10 – EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator used in the basic and diluted earnings per share ("EPS") calculations.

	Three Months Ended August 31,		Six Months Ended August 31,	
	2017	**2016**	**2017**	**2016**
Numerator:				
Income (loss) from continuing operations	$ 585,095	$ (221,904)	$ (14,009,271)	$ (214,245)
Loss from discontinued operations	-	(621,225)	-	(985,812)
Net income (loss)	585,095	(843,129)	(14,009,271)	(1,200,057)
Earnings allocated to participating securities	(236,151)	-	-	-
Income (loss) available to common stockholders	$ 348,944	$ (843,129)	$ (14,009,271)	$ (1,200,057)
Denominator:				
Weighted-average shares of common stock	731,778,624	103,861,488	579,750,102	102,139,728
Dilutive effect of convertible instruments	6,081,965,167	-	-	-
Diluted weighted-average of common stock	6,813,743,791	103,861,488	579,750,102	102,139,728
Net income (loss) per common share from:				
Basic:				
Continuing operations	$ 0.00	$ (0.00)	$ (0.02)	$ (0.00)
Discontinued operations	-	(0.01)	-	(0.01)
Net income (loss) attributable to common stockholders	$ 0.00	$ (0.01)	$ (0.02)	$ (0.01)
Diluted:				
Continuing operations	$ 0.00	$ (0.00)	$ (0.02)	$ (0.00)
Discontinued operations	-	(0.01)	-	(0.01)
Net income (loss) attributable to common stockholders	$ 0.00	$ (0.01)	$ (0.02)	$ (0.01)

(1) The convertible instruments are anti-dilutive and therefore, have been excluded from earnings (loss) per share.

Diluted earnings per share is calculated using net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during each period determined using the treasury stock method and the if-converted method.

NOTE 11 – SUBSEQUENT EVENT

Subsequent to August 31, 2017, the Company issued 406,530,000 shares of common stock for conversion of debt and accrued interest of $38,700 and 100,000,000 shares of common stock in exchange for 108,695,652 cashless warrants.

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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.

Business Of The Registrant

Our main business is providing consulting services to a wide variety of companies in diverse industries transform from a private company to a public company. We target companies that are in the start-up phase of their operations. We assist the companies by incubating them and then merging the company into a public company through a reverse merger. Typically, the public company will be previously majority owned by us. Once the reverse merger is completed, we intend to provide additional consulting services for up to 24 months depending on the needs of each client. As part of the services rendered, we intend to be compensated with a 4.9% - 9.9% stake in the client's company. The 4.9% - 9.9% also will have a non-dilutive feature for 18 months. Additionally, the Company may enter into joint ventures or provide working capital to clients on as needed basis.

Discontinued Business: In September 2016, the Company discontinued its medical cannabis division which has ceased all operations as of May 31, 2017.

RESULTS OF OPERATIONS

We have only limited early stage operations. Our independent auditors included an explanatory paragraph in their report on our annual 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. Accordingly, we must raise additional cash from sources other than operations.

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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.

Revenue

The Company had the following gross profit:

	Three Months Ended August 31,		
	2017	2016	Change
Revenue	$ 55,000	$ -	$ 55,000

The Company generated revenue of $55,000 from the consulting service during the three months ended August 31, 2017. Revenue in 2016 were reclassed to discontinued operations due to a change in business.

	Six Months Ended August 31,		
	2017	2016	Change
Revenue	$ 55,000	$ -	$ 55,000

The Company generated revenue of $55,000 from the consulting service during the six months ended August 31, 2017. Revenue in 2016 were reclassed to discontinued operations due to a change in business.

Operating Expenses

The Company had the following operating expenses:

	Three Months Ended August 31,		
	2017	2016	Change
Selling and general and administrative	$ 23,411	$ -	$ 23,411

For the three months ended August 31, 2017 and 2016, the Company had $23,411 and $0 in operating expenses, respectively. The selling and general and administrative expenses is primarily comprised of consulting fee of $7,950 and professional fees of $8,150 and press release of $4,450. The selling and general and administrative expenses in 2016 were reclassed to discontinued operations due to a change in business.

	Six Months Ended August 31,		
	2017	2016	Change
Selling and general and administrative	$ 1,098,395	$ -	$ 1,098,395

For the six months ended August 31, 2017 and 2016, the Company had $1,098,395 and $0 in operating expenses, respectively. The selling and general and administrative expenses is primarily comprised of consulting fee of $883,835 and stock based compensation of $110,526. The selling and general and administrative expenses in 2016 were reclassed to discontinued operations due to a change in business.

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Other Income (expense)

	Three Months Ended August 31,		
	2017	**2016**	**Change**
Gain on sale of marketable securities	$ 350,690	-	$ 350,690
Unrealized gain on marketable securities	185,153	-	185,153
Interest expense, net	(88,558)	$ (92,550)	3,992
Gain (loss) on derivatives	270,498	(129,354)	399,852
Loss on settlement of debt	(164,277)	-	(164,277)
Total other income (expenses)	$ 553,506	$ (221,904)	$ 775,410

Other income totaled $553,506 for the three months ended August 31, 2017 compared to other expense of $221,904 for the three months ended August 31, 2016. The increase in other income was related to unrealized gain on marketable securities of $185,153, gain on derivative of $270,498 and gain on sale of marketable securities of 350,690 offset by loss on settlement of debt of $164,277. The interest expense consists of interest expense and amortization of debt discount.

	Six Months Ended August 31,		
	2017	**2016**	**Change**
Gain on sale of marketable securities	$ 1,628,014	$ -	$ 1,628,014
Unrealized loss on marketable securities	(11,984,719)	-	(11,984,719)
Interest expense, net	(264,586)	(109,749)	(154,837)
Loss on derivatives	(2,180,308)	(104,496)	(2,075,812)
Loss on settlement of debt	(164,277)	-	(164,277)
Total other expenses	$ (12,965,876)	$ (214,245)	$ (12,751,631)

Other expense totaled $12,965,876 for the six months ended August 31, 2017 compared to other expense of $214,245 for the six months ended August 31, 2016. The increase in other expense was related to unrealized loss on marketable securities of $11,984,719, loss on derivative of $2,180,308 and loss on settlement of debt of $164,277 offset by gain on sale of marketable securities of $1,628,014. The increase in interest expense and loss on derivative was due to an increase in convertible notes and warrants. The interest expense consists of interest expense, amortization of debt discount and note default interest.

Discontinued Expenses

	Three Months Ended August 31,		
	2017	2016	Change
Loss from Discontinued Operation, Net of Tax Benefits	$ -	$ (621,225)	$ 621,225

Because of a change in business, the Company recorded all expenses from is prior operations of selling cannabis products as discontinued expenses. Loss from Discontinued Operations for the three months ended August 31, 2017 and 2016 was $0 and $621,225, respectively.

	Six Months Ended August 31,		
	2017	2016	Change
Loss from Discontinued Operation, Net of Tax Benefits	$ -	$ (985,812)	$ 985,812

Because of a change in business, the Company recorded all expenses from is prior operations of selling cannabis products as discontinued expenses. Loss from Discontinued Operations for the six months ended August 31, 2017 and 2016 was $0 and $985,812, respectively.

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Net Loss

For the three months ended August 31, 2017 and 2016, the Company had net loss of $585,095 and $843,129, respectively. This was derived as follows:

	Three Months Ended August 31,		
	2017	**2016**	**Change**
Revenue	$ 55,000	$ -	$ 55,000
Operating Expenses	(23,411)	-	(23,411)
Total other income (expense)	553,506	(221,904)	775,410
Loss from discontinued operations	-	(621,225)	621,225
Net Loss	$ 585,095	$ (843,129)	$ 1,428,224

For the six months ended August 31, 2017 and 2016, the Company had net loss of $14,009,271 and $1,200,057, respectively. This was derived as follows:

	Six Months Ended August 31,		
	2017	**2016**	**Change**
Revenue	$ 55,000	$ -	$ 55,000
Operating Expenses	(1,098,395)	-	(1,098,395)
Total other income (expense)	(12,965,876)	(214,245)	(12,751,631)
Loss from discontinued operations	-	(985,812)	985,812
Net Loss	$ (14,009,271)	$ (1,200,057)	$ (12,809,214)

Dividends

The Company has paid dividends of $62,500 and $0 on its Preferred Stock during the three months ended August 31, 2017 and 2016, respectively.

The Company has paid dividends of $457,363 and $0 on its Preferred Stock during the six months ended August 31, 2017 and 2016, respectively.

Liquidity and Capital Resources

The following tables presents selected financial information on our capital as of August 31, 2017 and February 28, 2017.

Working Capital

	August 31, 2017	February 28, 2017	Change
Cash	$ 329,770	$ 360,941	$ (31,171)
Current Assets	$ 626,673	$ 12,567,434	$ (11,940,761)
Current Liabilities	1,639,364	901,270	738,094
Working Capital (Deficiency)	$ (1,012,691)	$ 11,666,164	$ (12,678,855)

Cash flows

	Six Months Ended August 31,		
	2017	2016	Change
Net cash used in operating activities in continuing operations	$ (1,173,155)	$ (190,025)	$ (983,130)
Net cash provided by investing activities from continuing operations	$ 1,198,760	$ -	$ 1,198,760
Net cash provided by (used in) financing activities from continuing operations	$ (56,776)	$ 215,227	$ (272,003)
Net increase (decrease) in cash and cash equivalents	$ (31,171)	$ 25,202	$ (56,373)

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As of August 31, 2017, the Company had $329,770 in cash, and $296,903 in marketable securities, for a total of $626,673 in current assets and realized a decrease in working capital of $12,678,855, from February 28, 2017. 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, 2017, our total liabilities were $1,898,470 compared to $1,068,485 as of February 28, 2017.

The Company's officers, directors and principal shareholders have verbally agreed to provide additional capital to the Company to fund its current operations until the Company can raise additional capital. As of August 31, 2017, the Company has borrowed approximately $262,513 from our CEO.

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 allows 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.

Cash Flow from Operating Activities

During the six months ended August 31, 2017, cash used in operating activities was $1,173,155 compared to cash used in operating activities of $190,025 during the six months ended August 31, 2016. The increase in cash used in operating activities was primarily due to the increase in operating expenses.

Cash Flow from Investing Activities

Cash provided by investing activities were $1,198,760 and $0 for the six months ended August 31, 2017 and 2016, respectively.

During the six months ended August 31, 2017, the Company received $1,666,885 cash from sale of marketable securities, purchased marketable securities of $64,000 and provided loans of $404,125.

Cash Flow from Financing Activities

Cash provided by (used in) financing activities was ($56,776) and $215,227 for the six months ended August 31, 2017 and 2016, respectively. During the six months ended August 31, 2017, the Company received cash from debt – related party of $268,950, debt of $325,000 and repaid debt – related party of $193,363, and paid preferred stock dividends of $457,363. During the six months ended August 31, 2016, the Company received cash from debt – related party of $186,563 and debt of $190,200 and repaid debt – related party of $140,094 and debt of $21,442.

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.

Critical Accounting Policies

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact on our business operations and any associated risks related to these policies are discussed throughout Management’s Discussion and Analysis of Financial Condition and Results of Operations when such policies affect our reported or expected financial results.

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In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"). We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Marketable Securities

The Company's marketable equity securities have been classified and accounted for as available-for-sale. Management determines the appropriate classification of its investments at the time of purchase and reevaluates the designations at each balance sheet date. We classify our marketable equity securities as either short-term or long-term based on the nature of each security and its availability for use in current operations. Our marketable equity securities are carried at fair value, with the unrealized gains or losses reported as a component of earnings.

Share-Based Compensation

ASC 718, *"Compensation – Stock Compensation,"* prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, *"Equity – Based Payments to Non-Employees."* Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

Convertible Notes Payable

Convertible notes payable are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized as additional paid-in capital and included in equity, net of income tax effects, and is not subsequently remeasured. After initial measurement, they are carried at amortized cost using the effective interest method.

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.

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The Black-Scholes option valuation model was used to estimate the fair value of the conversion options. 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 other comparative securities, 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.

Variable Interest Entity

The Company follows ASC 810-10-15 guidance with respect to accounting for variable interest entities (each, a "VIE"). These entities do not have sufficient equity at risk to finance their activities without additional subordinated financial support from other parties or whose equity investors lack any of the characteristics of a controlling financial interest. A variable interest is an investment or other interest that will absorb portions of a VIE's expected losses or receive portions of its expected residual returns and are contractual, ownership, or pecuniary in nature and that change with changes in the fair value of the entity's net assets. A reporting entity is the primary beneficiary of a VIE and must consolidate it when that party has a variable interest, or combination of variable interests, that provides it with a controlling financial interest. A party is deemed to have a controlling financial interest if it meets both of the power and losses/benefits criteria. The power criterion is the ability to direct the activities of the VIE that most significantly impact its economic performance. The losses/benefits criterion is the obligation to absorb losses from, or right to receive benefits from, the VIE that could potentially be significant to the VIE. The VIE model requires an ongoing reconsideration of whether a reporting entity is the primary beneficiary of a VIE due to changes in facts and circumstances.

Also, refer Note 1 - Significant Accounting Policies in the unaudited consolidated financial statements that are included in this Report.

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.

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.

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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.

Intellectual Property

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a “smaller reporting company”, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was conducted under the supervision and with the participation of our management of the effectiveness of the design and operation of our disclosure controls and procedures as of August 31, 2017. Based on that evaluation, our management concluded that our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms as a result of the following material weaknesses:

The specific material weakness identified by our management was ineffective controls over certain aspects of the financial reporting process because of a lack of a sufficient complement of personnel with a level of accounting expertise and an adequate supervisory review structure that is commensurate with our financial reporting requirements and inadequate segregation of duties. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements would not be prevented or detected on a timely basis.

We expect to be materially dependent upon a third party to provide us with accounting consulting services for the foreseeable future. Until such time as we have a chief financial officer with the requisite expertise in U.S. GAAP, there are no assurances that the material weaknesses in our disclosure controls and procedures and internal control over financial reporting will not result in errors in our financial statements which could lead to a restatement of those financial statements.

Changes in Internal Controls

There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Securities Exchange Act Rule 13a-15 or Rule 15d-15 that occurred in the quarter ended August 31, 2017 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

We know of no material, existing or pending legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors

As a “smaller reporting company”, we are not required to provide the information required by 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 Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit

Number	**Description**
(3)	**Articles of Incorporation**
3.1	Restated Articles of Incorporation (incorporated by reference to our Registration Statement on Form S-1 filed on April 7, 2015)
3.2	Bylaws (incorporated by reference to our Registration Statement on Form S-1 filed on April 7, 2015)
(31)	**Rule 13a-14 (d)/15d-14d) Certifications**
31.1*	Section 302 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer
(32)	**Section 1350 Certifications**
32.1**	Section 906 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer
101*	**Interactive Data File**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* *Filed herewith.*

** *Furnished herewith.*

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

1PM INDUSTRIES, INC.
(Registrant)

Dated: October 17, 2017

By:*/s/ Joseph Wade*
Joseph Wade
Chief Financial Officer and Director
(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)