

1PM Industries
Form 10-Q
January 23, 2017

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 November 30, 2016

or

o 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

1PM Industries, Inc.

(Exact name of registrant as specified in its charter)

Colorado
(State of Incorporation)

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

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**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.

| Title of Each Class | Outstanding as of January 19, 2017 |
|---|---|
| Common stock, par value \$0.0001 per share | 165,502,438 |
| Series F Voting Preferred Stock, par value \$0.0001 per share | 4,000,000 |

1PM INDUSTRIES, INC.

FORM 10-Q

November 30, 2016

TABLE OF CONTENTS

PART I -- FINANCIAL INFORMATION

| | | |
|----------------|--|----|
| <u>Item 1.</u> | <u>Financial Statements</u> | 3 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 12 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 17 |
| <u>Item 4.</u> | <u>Control and Procedures</u> | 18 |

PART II -- OTHER INFORMATION

| | | |
|-----------------|--|----|
| <u>Item 1.</u> | <u>Legal Proceedings</u> | 20 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 20 |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 20 |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | 20 |
| <u>Item 4.</u> | <u>Mine Safety Disclosures</u> | 20 |
| <u>Item 5.</u> | <u>Other Information</u> | 20 |
| <u>Item 6.</u> | <u>Exhibits</u> | 21 |

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

| | November 30, 2016 | February 29, 2016 |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 118,100 | \$ 9,200 |
| Total Current Assets | 118,100 | 9,200 |
| Security deposit | 18,600 | 18,600 |
| TOTAL ASSETS | \$ 136,700 | \$ 27,800 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 37,209 | \$ 53,678 |
| Due to related party | - | 1,740 |
| Convertible notes payable, net of discount of \$95,512 and \$0, respectively | 160,449 | - |
| Derivative liability | 309,211 | 81,191 |
| Total Current Liabilities | 506,869 | 136,609 |
| Convertible notes payable, net of discount of \$23,281 and \$49,337, respectively | 4,219 | 10,663 |
| Note payable – Related Party, net of discount \$28,258 and \$28,313 respectively | 153,582 | 103,699 |
| TOTAL LIABILITIES | 664,670 | 250,971 |
| 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, 131,677,570 and 100,092,395 issued and outstanding, respectively | 13,168 | 10,009 |
| Additional paid in capital | 1,473,597 | 39,243 |
| Accumulated deficit | (2,015,135) | (272,823) |
| Total Stockholders' Deficit | (527,970) | (223,171) |

| | | | | |
|--|-----------|----------------|-----------|---------------|
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ | 136,700 | \$ | 27,800 |
|--|-----------|----------------|-----------|---------------|

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

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

| | Three Months Ended November 30, | | Nine Months Ended November 30, | |
|--|--|--------------------|---|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | \$ 6,845 | \$ - | \$ 49,358 | \$ - |
| Cost of goods | 4,790 | - | 28,013 | - |
| Gross profit | 2,055 | - | 21,345 | - |
| Operating Expenses | | | | |
| Selling and general and administrative | 33,922 | 32,791 | 1,039,024 | 59,809 |
| Total operating expenses | 33,922 | 32,791 | 1,039,024 | 59,809 |
| Net loss from operations | (31,867) | (32,791) | (1,017,679) | (59,809) |
| Other Income (expense) | | | | |
| Interest expense | (201,619) | (4,029) | (311,368) | (4,909) |
| Loss on derivatives | (308,769) | - | (413,265) | - |
| Total other expense | (510,388) | (4,029) | (724,633) | (4,909) |
| Net loss | \$ (542,255) | \$ (36,820) | \$ (1,742,312) | \$ (64,718) |
| Net loss per common share, basic and diluted | \$ (0.00) | \$ (0.00) | \$ (0.02) | \$ (0.00) |
| Weighted average number of common shares outstanding, basic and diluted | 116,973,695 | 100,092,395 | 107,030,637 | 100,092,395 |

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)**

**Nine Months Ended
November 30,
2016 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|----------|----------------|-------------|
| Net loss | \$ (1,742,312) | \$ (64,718) |
|----------|----------------|-------------|

Adjustments to reconcile net loss to net cash used in operating activities:

| | | |
|--|------------------|-----------------|
| Stock-based compensation | 840,000 | - |
| Interest on convertible note default and true-up | 81,588 | - |
| Amortization of debt discount | 197,759 | 4,909 |
| Loss on derivative | 413,265 | - |
| Changes in operating assets and liabilities: | | |
| Security deposit | - | (18,600) |
| Accounts payable and accrued liabilities | (3,446) | 8,855 |
| Due to related party | (1,740) | - |
| Net Cash Used in Operating Activities | (214,886) | (69,554) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|--|----------------|---------------|
| Contributed capital | - | 8,217 |
| Borrowing on debt - related party | 206,864 | 80,114 |
| Repayment on debt - related party | (157,036) | (7,055) |
| Borrowing on debt | 260,400 | - |
| Repayments of debt | (21,442) | - |
| Proceeds from issuance of stock | 35,000 | - |
| Net Cash Provided By Financing Activities | 323,786 | 81,276 |

| | | |
|---|-------------------|------------------|
| Net increase in cash and cash equivalents | 108,900 | 11,722 |
| Cash and cash equivalents, beginning of period | 9,200 | 1,500 |
| Cash and cash equivalents, end of period | \$ 118,100 | \$ 13,222 |

Supplemental cash flow information

| | | |
|------------------------|------|------|
| Cash paid for interest | \$ - | \$ - |
| Cash paid for taxes | \$ - | \$ - |

Non-cash financing transactions:

| | | |
|--|------------|-----------|
| Debt discount for imputed interest | \$ 9,860 | \$ 17,293 |
| Issuance of common stock for conversion of debt | \$ 154,707 | \$ - |
| Discount for derivatives | \$ 212,700 | \$ - |
| Resolution of derivative liabilities upon conversion of debt | \$ 397,945 | \$ - |

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

Table of Contents

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 a 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 in November 2015. In November 2015, the Company 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 3rd party products to solely focus on its own products.

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 filed on June 20, 2016, have been omitted.

Reclassification

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

Table of Contents

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.

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 nine months ended November 30, 2016, the Company borrowed a total amount of \$206,864 from WB Partners, LLC and repaid \$157,036 for the above note. Additionally, the Company recorded a discount of \$9,860 for the nine months ended November 30, 2016, for the imputed interest of 20%.

As of November 30, 2016 and February 29, 2016, the Company owed a note payable – related party of \$153,582 net of a \$28,258 debt discount and \$103,699 net of a \$28,313 debt discount, respectively. During the nine months ended November 30, 2016 and 2015, the Company recognized amortization of debt discount of \$9,915 and \$4,909, respectively.

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

The Company had the following convertible note payable outstanding as of November 30, 2016 and February 29, 2016:

| | November 30, 2016 | February 29, 2016 |
|--|------------------------------|------------------------------|
| Promissory Note - Issued December 10, 2015 | \$ 88,461 | \$ 60,000 |
| Promissory Note - Issued in fiscal year 2017 | 195,000 | - |
| Total convertible notes payable | 283,461 | 60,000 |
| Less: debt discount and deferred financing fees | (118,793) | (49,337) |
| | 164,668 | 10,663 |
| Less: current portion of convertible notes payable | 160,449 | - |
| Long-term convertible notes payable | \$ 4,219 | \$ 10,663 |

During the nine months ended November 30, 2016 and 2015, the Company recognized amortization of discount of \$187,844 and \$0, respectively.

Table of Contents

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.

During nine months ended November 30, 2016, the Company issued a convertible note of \$110,000 with 183,334 warrants according to the Securities Purchase Agreement on December 10, 2015 and the Company received cash of \$90,000 and recognized pro-rated OID of \$20,000.

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. 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 283,334 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 nine months ended November 30, 2016

amounted to \$113,578. \$90,000 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of \$23,578 was recognized as a “day 1” derivative loss.

During the nine months ended November 30, 2016, the Company recognized a principal adjustment of \$81,588 based on the default penalties and true-up provisions.

During the nine months ended November 30, 2016, the Company repaid notes with principal amounts and accrued interest totaling to \$21,442 and converted notes with principal amounts and accrued interest of \$154,707 into 26,952,822 shares of common stock. The corresponding derivative liability at the date of conversion of \$397,945 was credited to additional paid in capital.

Promissory Notes - Issued in fiscal year 2017

During the nine months ended November 30, 2016, the Company issued a total of \$195,000 notes with the following terms:

- Terms ranging from 9 months to 2 years.
- Annual interest rates of 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 (55% 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.

Table of Contents

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 \$24,600 and the Company received cash of \$170,400.

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.

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 nine months ended November 30, 2016 amounted to \$307,866. \$122,700 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of \$185,166 was recognized as a "day 1" derivative loss.

Warrants

A summary of activity during the period ended November 30, 2016 follows:

| | Options Outstanding | |
|--------------------------------|----------------------------|--|
| | Shares | Weighted Average Exercise Price |
| Outstanding, February 29, 2016 | 100,000 | \$ 0.10 |
| Granted | 2,058,334 | 0.10 |
| Exercised | - | - |
| Forfeited/canceled | - | - |
| Outstanding, November 30, 2016 | 2,158,334 | \$ 0.10 |

The following table summarizes information relating to outstanding and exercisable warrants as of November 30, 2016:

| 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 | |
| | | | | | |
| 283,334 | 4.03 | \$ 0.10 | 283,334 | \$ 0.10 | |
| 1,875,000 | 4.70 | 0.10 | 1,875,000 | 0.10 | |
| 2,158,334 | 4.61 | 0.10 | 2,158,334 | 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 November 30, 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 November 30, 2016 and February 29, 2016 valuations:

| | Nine Months Ended November 30, 2016 | Year Ended February 29, 2016 |
|-------------------------|--|---|
| Expected life in years | 0.25 - 5.00 | 1.03 - 5.01 |
| Stock price volatility | 228 - 490% | 304 - 532% |
| Risk free interest rate | 0.44 - 1.83% | 0.62 - 1.68% |
| Expected dividends | None | None |

The following table summarizes the changes in the derivative liabilities during the nine months ended November 30, 2016:

| | |
|---|-----------|
| Balance - February 29, 2016 | \$ 81,191 |
| Addition of new derivative recognized as debt discounts | 212,700 |
| Addition of new derivatives recognized as loss on derivatives | 208,744 |

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| | |
|--|------------|
| Derivatives settled upon conversion of debt | (397,945) |
| Re-measurement – November 30, 2016 | |
| Loss on change in fair value of the derivative | 204,521 |
| Balance - November 30, 2016 | \$ 309,211 |

The net loss on derivatives during the nine months ended November 30, 2016 and 2015 was \$413,265 and \$0, respectively.

Table of Contents

NOTE 6 – EQUITY

Series F Preferred Stock

There were no issuances of the Series F Preferred Stock during the nine months ended November 30, 2016.

Common Stock

During the nine months ended November 30, 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.
- 1,500,000 shares of common stock to an employee, with a fair value of \$540,000, based on the employee agreement.
- 1,132,353 shares of common stock on October 2016 for \$38,500 (\$35,000 net proceeds received after \$3,500 financing fee).
- 26,952,822 shares of common stock were issued for the conversion of debt and accrued interest of \$154,707.

NOTE 7 – SUBSEQUENT EVENT

Subsequent to November 30, 2016, the Company issued an additional 33,824,848 shares of common stock for conversion of debt and true-up notices.

Table of Contents

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.

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.

In January 2016, the Company has begun development of a CBD product line that will be capable of being sold nationwide. The Company launched its CBD line in March 2016 and is available at www.vonbaronlabs.com.

Table of Contents

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
2. Texture and Consistency
3. Appearance and Color
4. Taste and Flavor
5. Sensation (smooth or harsh)
6. Experience and Strength

The Company has entered into discussions to license its Von Baron Farms brand and distribution to 3rd parties. The Company currently is selling and is working on licensing the following products:

1. Cookie Spread (won Best Edible and Connoisseurs' Choice Award)
2. Peanut Butter
3. CBD Cookie Spread
4. CBD Mango Shot
5. THC Shot
6. Combo Shot
7. Pancake and Waffle Batter (won Best Edible and Connoisseurs' Choice Award)

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.

Revenue

The Company had the following gross profit:

Three Months Ended

| | November 30, | | |
|-----------------|--------------|------|----------|
| | 2016 | 2015 | Change |
| Revenue | \$ 6,845 | \$ - | \$ 6,845 |
| Cost of revenue | 4,790 | - | 4,790 |
| Gross profit | \$ 2,055 | \$ - | \$ 2,055 |
| Gross profit % | 30% | - | |

Nine Months Ended

| | November 30, | | |
|--------------------|--------------|------|-----------|
| | 2016 | 2015 | Change |
| Revenue | \$ 49,358 | \$ - | \$ 49,358 |
| Cost of goods sold | 28,013 | - | 28,013 |
| Gross Profit | \$ 21,345 | \$ - | \$ 21,345 |
| Gross profit % | 43% | - | |

The Company did not have any revenues for the comparative periods ended November 30, 2015. The Company realized a drop in gross profit percentage in the three months ended November 30, 2016, as compared for the nine months ended November 30, 2016, due to increased packaging costs on using child proof containers.

Table of Contents**Operating Expenses**

The Company had the following operating expenses:

Three Months Ended

| | November 30, | | |
|--|---------------------|-------------|---------------|
| | 2016 | 2015 | Change |
| Selling and general and administrative | \$ 33,922 | \$ 32,791 | \$ 1,131 |

For the Three Months ended November 30, 2016 and 2015, the Company had \$33,922 and \$32,791 in operating expenses, respectively.

Nine Months Ended

| | November 30, | | |
|--|---------------------|-------------|---------------|
| | 2016 | 2015 | Change |
| Selling and general and administrative | \$ 1,039,024 | \$ 59,809 | \$ 979,215 |

For the Nine Months ended November 30, 2016 and 2015, the Company had \$1,039,024 and \$59,809 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 \$63,000 and rent expenses of approximate \$36,000 in 2016.

Other Income (expense)**Three Months Ended**

| | November 30, | | |
|--------------------|---------------------|-------------|---------------|
| | 2016 | 2015 | Change |
| Interest expense | \$ 201,619 | \$ 4,029 | \$ 197,590 |
| Loss on derivative | 308,769 | - | 308,769 |
| Total Expenses | \$ 510,388 | \$ 4,029 | \$ 506,359 |

Other income totaled \$510,388 for the three months ended November 30, 2016 compared to \$4,029 for the three months ended November 30, 2015. The increase in other expense was related to an increase in interest expense of \$201,619 and loss on derivative of \$308,769. The interest expense consists of interest expense, amortization of debt discount and note default interests.

Nine Months Ended

| | November 30, | | |
|--------------------|---------------------|-------------|---------------|
| | 2016 | 2015 | Change |
| Interest expense | \$ 311,368 | \$ 4,909 | \$ 306,459 |
| Loss on derivative | 413,265 | - | 413,265 |
| Total Expenses | \$ 724,633 | \$ 4,909 | \$ 719,724 |

Other income totaled \$724,633 for the nine months ended November 30, 2016 compared to \$4,909 for the nine months ended November 30, 2015. The increase in other expense was related to an increase in interest expense of \$311,368 and loss on derivative of \$413,265. The interest expense consists of interest expense, amortization of debt discount and note default interests.

Net Loss

For the Three Months ended November 30, 2016 and 2015, the Company had a loss of \$542,255 and \$36,820, respectively. For the Nine Months ended November 30, 2016 and 2015, the Company had a loss of \$1,742,312 and \$64,718, respectively. This was derived as follows:

Three Months Ended

| | November 30, | | |
|---------------------|---------------------|-------------|---------------|
| | 2016 | 2015 | Change |
| Revenue | \$ 6,845 | \$ - | \$ 6,845 |
| Cost of goods | (4,790) | - | (4,790) |
| Operating Expenses | (33,922) | (32,791) | (1,131) |
| Total other expense | (510,388) | (4,029) | (506,359) |
| Net Loss | \$ (542,255) | \$ (36,820) | \$ (505,435) |

Table of Contents**Nine Months Ended**

| | November 30, | | |
|---------------------|---------------------|-------------|----------------|
| | 2016 | 2015 | Change |
| Revenue | \$ 49,358 | \$ - | \$ 49,358 |
| Cost of goods | (28,013) | - | (28,013) |
| Operating Expenses | (1,039,024) | (59,809) | (979,215) |
| Total other expense | (724,633) | (4,909) | (719,724) |
| Net Loss | \$ (1,742,312) | \$ (64,718) | \$ (1,677,594) |

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 November 30, 2016 and February 29, 2016.

| | November 30, | | February 29, | | |
|-----------------------|---------------------|--------------|---------------------|--------------|---------------|
| | 2016 | 2016 | 2016 | 2016 | Change |
| Cash | \$ 118,100 | \$ 9,200 | \$ 108,900 | \$ 108,900 | \$ 108,900 |
| Total Assets | \$ 136,700 | \$ 27,800 | \$ 108,900 | \$ 108,900 | \$ 108,900 |
| Total Liabilities | \$ 664,670 | \$ 250,971 | \$ 413,699 | \$ 413,699 | \$ 413,699 |
| Stockholders' Deficit | \$ (527,970) | \$ (223,171) | \$ (304,799) | \$ (304,799) | \$ (304,799) |

| | November 30, | | February 29, | | |
|----------------------------|---------------------|--------------|---------------------|--------------|---------------|
| | 2016 | 2016 | 2016 | 2016 | Change |
| Current Assets | \$ 118,100 | \$ 9,200 | \$ 108,900 | \$ 108,900 | \$ 108,900 |
| Current Liabilities | 506,869 | 136,609 | 370,260 | 370,260 | 370,260 |
| Working Capital Deficiency | \$ (388,769) | \$ (127,409) | \$ (261,360) | \$ (261,360) | \$ (261,360) |

As of November 30, 2016, the Company had \$118,100 in cash for a total of \$136,700 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 November 30, 2016, our total liabilities were \$664,670.

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 November 30, 2016, the Company has borrowed approximately \$181,839 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.

Table of Contents

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 financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. A complete summary of these policies is included in Note 2 of the notes to our historical financial statements. We have identified below the accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows and which require the application of significant judgment by management.

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.

Cash equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Basic and diluted net loss per share

The Company computes loss per share in accordance with ASC 260, Earnings per Share. ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of

common shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using treasury stock method, and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive. Common stock equivalents pertaining to the convertible debt, options, warrants and convertible preferred shares were not included in the computation of diluted net loss per common share because the effect would have been anti-dilutive due to the net loss for the nine months ended November 30, 2016.

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”.

Recently issued accounting standards

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

Table of Contents

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.

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

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).

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.

Table of Contents

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 November 30, 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of August 30, 2013. Based on this assessment, management concluded that the Company did not maintain effective internal controls over financial reporting as a result of the identified material weakness in our internal control over financial reporting described below. In making this assessment, management used the framework set forth in the report entitled Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring.

Table of Contents

Identified Material Weakness

A material weakness in our internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Management identified the following material weakness during its assessment of internal controls over financial reporting as of November 30, 2016:

Independent Directors: The Company intends to obtain at least 2 independent directors at its 2016 annual shareholder meeting. The cost associated to the addition is minimal and not deemed material.

No Segregation of Duties/Ineffective controls over financial reporting: The Company intends to hire additional staff members, either as employees or consultants, when it's in a financial position to afford the expense. These additional staff members will be responsible for making sure that information required to be disclosed in our reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required and will the staff members will have segregated responsibilities with regard to these responsibilities. The costs associated with the hiring the additional staff members will increase the Company's Sales, General and Administration (SG&A) Expense. It is anticipated the cost of the new staff members will be approximately \$60,000 per year.

No audit committee: After the election of the independent directors at the 2016 annual shareholder meeting, the Company expects that an Audit Committee will be established. The cost associated to the addition an audit committee are minimal and not deemed material.

Resources: As of November 30, 2016, we have no full-time employees with the requisite expertise in the key functional areas of finance and accounting. As a result, there is a lack of proper segregation of duties necessary to insure that all transactions are accounted for accurately and in a timely manner.

Written Policies & Procedures: We need to prepare written policies and procedures for accounting and financial reporting to establish a formal process to close our books monthly on an accrual basis and account for all transactions, including equity transactions, and prepare, review and submit SEC filings in a timely manner.

Management's Remediation Initiatives

As our resources allow, we will add financial personnel to our management team. We plan to prepare written policies and procedures for accounting and financial reporting to establish a formal process to close our books monthly on an accrual basis and account for all transactions, including equity transactions. We will also create an audit committee made up of our independent directors.

As of November 30, 2016, the Company has not taken any remediation actions to address these weaknesses in our controls even though they were identified during the year ended 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.

(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.

Table of Contents

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

26,158,063 unregistered securities were issued during the three month period ended November 30, 2016. Of these shares issued, 25,025,710 were issued to Typenex Co-Investment, LLC as payment for the convertible debenture issued by the Company and 1,132,353 shares were issued for \$38,500 (\$0.034 per share).

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 November 30, 2016 that was not previously disclosed in our filings during that period.

20

Table of Contents

ITEM 6. EXHIBITS

31.1 Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002

32.1 Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002

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

Table of Contents

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: January 23, 2017

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