

1PM Industries
Form 10-Q
July 20, 2016

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

FORM 10-Q

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

For the quarterly period ended May 31, 2016

or

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

For the transition period from _____ to _____ .

Commission File Number: 000-19949

1PM Industries, Inc.

(Exact name of registrant as specified in its charter)

Colorado
(State of Incorporation)

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

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

90212
(Zip Code)

(424) 253-9991

Edgar Filing: 1PM Industries - Form 10-Q

(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 x No o

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 x No o

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

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

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 July 19, 2016 |
|---|--|
| Common stock, par value \$0.0001 per share | 102,092,395 |
| Series F Voting Preferred Stock, par value \$0.0001 per share | 4,000,000 |

1PM INDUSTRIES, INC.

FORM 10-Q

MAY 31, 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> | 10 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 14 |
| <u>Item 4.</u> | <u>Control and Procedures</u> | 14 |

PART II -- OTHER INFORMATION

| | | |
|-----------------|--|----|
| <u>Item 1.</u> | <u>Legal Proceedings</u> | 15 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 15 |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 15 |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | 15 |
| <u>Item 4.</u> | <u>Mine Safety Disclosures</u> | 15 |
| <u>Item 5.</u> | <u>Other Information</u> | 15 |
| <u>Item 6.</u> | <u>Exhibits</u> | 16 |

Table of Contents**PART I -- FINANCIAL INFORMATION****ITEM 1 – FINANCIAL STATEMENTS**

1PM Industries, Inc.
Consolidated Balance Sheets
(Unaudited)

| | May 31, 2016 | February 29, 2016 |
|---|------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 11,097 | \$ 9,200 |
| Accounts receivable | 6,146 | - |
| Inventory | 4,877 | - |
| Total Current Assets | 22,120 | 9,200 |
| Security deposit | 18,600 | 18,600 |
| TOTAL ASSETS | \$ 40,720 | \$ 27,800 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 28,851 | \$ 55,418 |
| Due to related party | 2,353 | - |
| Derivative liability | 101,333 | 81,191 |
| Total Current Liabilities | 132,537 | 136,609 |
| Convertible notes payable, net of discount of \$92,588 and \$49,337, respectively | 22,412 | 10,663 |
| Note payable – Related Party, net of discount \$36,476 and \$28,313 respectively | 154,285 | 103,699 |
| TOTAL LIABILITIES | 309,234 | 250,971 |
| Stockholders' Deficit | | |
| Series F Preferred Stock, Par Value \$0.0001, 5,000,000 shares authorized, 4,000,000 issued and outstanding, respectively | 400 | 400 |
| Common Stock, Par Value \$0.0001, 200,000,000 shares authorized, 102,092,395 and 100,092,395 issued and outstanding, respectively | 10,209 | 10,009 |
| Additional paid in capital | 350,628 | 39,243 |
| Accumulated deficit | (629,751) | (272,823) |
| Total Stockholders' Deficit | (268,514) | (223,171) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 40,720 | \$ 27,800 |

Edgar Filing: 1PM Industries - Form 10-Q

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 May 31, | |
|--|---------------------------------------|--------------------|
| | 2016 | 2015 |
| Revenue | \$ 28,219 | \$ - |
| Cost of goods | 10,801 | - |
| Gross profit | 17,418 | - |
| Operating Expenses | | |
| Selling and general and administrative | 382,005 | 5,342 |
| Total operating expenses | 382,005 | 5,342 |
| Net loss from operations | (364,587) | (5,342) |
| Other Income (expense) | | |
| Interest expense | (17,199) | - |
| Gain on derivatives | 24,858 | - |
| Total other expense | 7,659 | - |
| Net loss | \$ (356,928) | \$ (5,342) |
| Net loss per common share, basic and diluted | \$ (0.00) | \$ (0.00) |
| Weighted average number of common shares outstanding, basic and diluted | 100,436,481 | 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)**

| | Three Months Ended | |
|---|---------------------------|-------------|
| | May 31, | |
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (356,928) | \$ (5,342) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 300,000 | - |
| Amortization of debt discount | 15,171 | 880 |
| Gain on derivative | (24,858) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,146) | - |
| Inventory | (4,877) | - |
| Due to related party | 2,353 | - |
| Accounts payable | (26,567) | 1,000 |
| Net Cash Used in Operating Activities | (101,852) | (3,462) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Contributed capital | - | 1,252 |
| Borrowing on debt - related party | 90,592 | 1,000 |
| Repayment on debt - related party | (31,843) | - |
| Borrowing on debt | 45,000 | - |
| Net Cash Provided By Financing Activities | 103,749 | 2,252 |
| Net increase (decrease) in cash and cash equivalents | 1,897 | (1,210) |
| Cash and cash equivalents, beginning of period | 9,200 | 1,500 |
| Cash and cash equivalents, end of period | \$ 11,097 | \$ 290 |
| Supplemental cash flow information | | |
| Cash paid for interest | \$ - | \$ - |
| Cash paid for taxes | \$ - | \$ - |
| Non-cash financing transactions: | | |
| Debt discount for imputed interest | \$ 11,585 | \$ - |
| Discount for derivatives | \$ 45,000 | \$ - |

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

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

Reclassification

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

Accounts Receivable and Allowance for Uncollectible Accounts

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

Inventory

Inventories, consisting of products available for sale, are primarily accounted for using the first-in first-out ("FIFO") method, and are valued at the lower of cost or market value. This valuation requires us to make judgments, based on currently-available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. These assumptions about future disposition of inventory are inherently uncertain and changes in our

estimates and assumptions may cause us to realize material write-downs in the future.

NOTE 2 – GOING CONCERN

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

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

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

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

During the three months ended May 31, 2016, the Company borrowed a total amount of \$90,593 from WB Partners, LLC and repaid \$31,843 for the above note. Additionally, the Company recorded a discount of \$11,585 for the three months ended May 31, 2016, for the imputed interest of 20%.

As of May 31, 2016 and February 29, 2016, the Company owed a note payable – related party of \$154,285 net of a \$36,476 debt discount and \$103,699 net of a \$28,313 debt discount, respectively. During the three months ended May 31, 2016, the Company recognized amortization of debt discount of \$3,422.

Due to related party

As of May 31, 2016 and February 29, 2016, the Company recorded due to related party of \$2,353 and \$0. This consisted of operating expenses paid by the CEO.

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

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

| | May 31, 2016 | February 29, 2016 |
|--|-----------------|----------------------|
| Convertible note | \$ 115,000 | \$ 60,000 |
| Less: debt discount and deferred financing fees | (92,588) | (49,337) |
| | 22,412 | 10,663 |
| Less: current portion of convertible notes payable | - | - |
| Long-term convertible notes payable | \$ 22,412 | \$ 10,663 |

Edgar Filing: 1PM Industries - Form 10-Q

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.

Table of Contents

During three months ended May 31, 2016, the Company issued a convertible note of \$55,000 with 91,667 warrants according to the Securities Purchase Agreement on December 10, 2015 and the Company received cash of \$45,000 and recognized pro-rated OID of \$10,000.

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 191,667 shares of common stock, for a period of five years from issuance, at a price of \$0.30 per share. We accounted for the issuance of the Warrants as a derivative.

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

| Warrants Outstanding | | | Warrants Exercisable | |
|----------------------|-----------------------------|----------------|----------------------|----------------|
| Number of Shares | Weighted Average Remaining | Exercise Price | Number of Shares | Exercise Price |
| | Contractual life (in years) | | | |
| 191,667 | 4.53 | \$ 0.30 | 191,667 | \$ 0.30 |

Therefore, the fair value of the derivative instruments have been recorded as liabilities on the balance sheet with the corresponding amount recorded as discounts to the Notes. Such discounts will be accreted from the issuance date to the maturity date of the Notes. The change in the fair value of the derivative liabilities will be recorded in other income or expenses in the statement of operations at the end of each period, with the offset to the derivative liabilities on the balance sheet. The fair value of the embedded derivative liabilities was determined using the Black-Scholes valuation model on the issuance dates and re-measured at balance sheet date.

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

| | |
|---|------------|
| Balance - February 29, 2016 | \$ 81,191 |
| Addition of new derivative recognized as debt discounts | 45,000 |
| Addition of new derivatives recognized as loss on derivatives | 20,017 |
| Re-measurement – May 31, 2016 | |
| Gain on change in fair value of the derivative | (44,875) |
| Balance - May 31, 2016 | \$ 101,333 |

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 May 31, 2016 and February 29, 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.

Edgar Filing: 1PM Industries - Form 10-Q

Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each convertible note and warrants is estimated using the Black-Scholes valuation model.

Table of Contents

The following weighted-average assumptions were used in the May 31, 2016 and February 29, 2016:

| | Three Months Ended May 31, 2016 | Year Ended February 29, 2016 |
|-------------------------|--|---|
| Expected life in years | 0.78 - 4.72 | 1.03 - 5.01 |
| Stock price volatility | 268 - 490% | 304 - 532% |
| Risk free interest rate | 0.62 - 1.42% | 0.62 - 1.68% |
| Expected dividends | None | None |

As of May 31, 2016, no principal has been converted and the net outstanding balance of the convertible note is \$22,412 after amortization of the OID of \$5,009 and amortization of derivative discount of \$6,740 recognized on the derivative liability. During three months ended May 31, 2016, no notes payable were converted that resulted in settlement of the related derivative liabilities.

NOTE 5 – EQUITY*Series F Preferred Stock*

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

Common Stock

During the three months ended May 31, 2016, the Company issued 2,000,000 shares of common stock to employees, with a fair value of \$300,000, for work related to the Company's activities in California.

NOTE 6 – SUBSEQUENT EVENT

In June 2016, the Company received financing in the amount of \$57,500 from a third party investor. The \$57,500 bears 12% interest and matures in one year. The holder shall be entitled, at its option, as of September 6, 2016, to convert all or any amount of principal face amount of this note the outstanding into shares of the Company's common stock. Conversion price is the lower of (1) the closing sale price of the Common Stock on the Principal Market on the Trading Day immediately preceding the Closing Date, and (2) 55% of the lowest sale price for the Common Stock on the principal Market during the twenty-five (25) consecutive Trading Days immediately preceding the Conversion Date.

Edgar Filing: 1PM Industries - Form 10-Q

In June 2016, the Company received financing in the amount of \$55,000 from a third party investor. The \$55,000 bears 12% interest and matures in one year. The holder shall be entitled, at its option, from issuance date, to convert all or any amount of principal face amount of this note the outstanding into shares of the Company's common stock. Conversion price is 45% of the lowest trading price for the Common Stock on the principal Market during the twenty-five (25) consecutive Trading Days immediately preceding the Conversion Date.

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

We are a corporation with limited operations. 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

Edgar Filing: 1PM Industries - Form 10-Q

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 May 31, | | | | |
|--------------------|----------------------------|------|-----------|---|--|
| | 2016 | 2015 | Change | % | |
| Revenue | \$ 28,219 | \$ - | \$ 28,219 | - | |
| Cost of goods sold | 10,801 | - | 10,801 | - | |
| Gross Profit | \$ 17,418 | \$ - | \$ 17,418 | - | |

The revenue increased to \$28,219 from \$0 for the three months ended May 31, 2016 and 2015, respectively. Cost of goods sold increased to \$10,801 from \$0 for the three months ended May 31, 2016 and 2015, respectively.

Table of Contents**Operating Expenses**

The Company had the following expenses:

| | Three Months Ended May 31, | | | |
|--|-----------------------------------|-------------|---------------|----------|
| | 2016 | 2015 | Change | % |
| Selling and general and administrative | \$ 382,005 | \$ 5,342 | \$ 376,663 | 7,051% |
| Total Expenses | \$ 382,005 | \$ 5,342 | \$ 376,663 | 7,051% |

Selling and general and administrative expenses increased to \$382,005 from \$5,342 for the three months ended May 31, 2016 and 2015, respectively. The increase in selling and general and administrative expenses is primarily due to stock-based compensation of \$300,000, salary and commissions of \$32,000 and rent expenses of \$18,300 in 2016.

Other Income (expense)

| | Three Months Ended May 31, | | | |
|--------------------|-----------------------------------|-------------|---------------|----------|
| | 2016 | 2015 | Change | % |
| Interest expense | \$ (17,199) | \$ - | \$ (17,199) | - |
| Gain on derivative | 24,858 | - | 24,858 | - |
| Total Expenses | \$ 7,659 | \$ - | \$ 7,659 | - |

Other income totaled \$7,659 for the three months ended May 31, 2016 compared to \$0 for the three months ended May 31, 2015. The increase in other income was related to an increase in interest expense of \$17,199 and gain on derivative of \$24,858.

Net Loss

For the three months ended May 31, 2016, the Company had a loss of \$356,928. This compares to the three months ended May 31, 2015, the Company had a net loss of \$5,342. This was derived as follows:

| | Three Months Ended May 31, | | | |
|---------------|-----------------------------------|-------------|---------------|----------|
| | 2016 | 2015 | Change | % |
| Revenue | \$ 28,219 | \$ - | \$ 28,219 | - |
| Cost of goods | (10,801) | - | (10,801) | - |

Edgar Filing: 1PM Industries - Form 10-Q

| | | | | |
|--------------------|--------------|------------|-----------|--------|
| Operating Expenses | (382,005) | (5,342) | (376,663) | 7,051% |
| Interest expense | (17,199) | - | (17,199) | - |
| Gain on derivative | 24,858 | - | 24,858 | - |
| Net Loss | \$ (356,928) | \$ (5,342) | (351,586) | 6,582% |

Table of ContentsDividends

The Company has not paid dividends on its common stock.

Liquidity and Capital Resources

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

| | May 31, | February 29, | Change | % |
|-----------------------|----------------|---------------------|---------------|----------|
| | 2016 | 2016 | | |
| Cash | \$ 11,097 | \$ 9,200 | \$ 1,897 | 21% |
| Total Assets | \$ 40,720 | \$ 27,800 | \$ 12,920 | 46% |
| Total Liabilities | \$ 309,234 | \$ 250,971 | \$ 58,263 | 23% |
| Stockholders' Deficit | \$ (268,514) | \$ (223,171) | \$ (45,343) | 20% |

As of May 31, 2016, the Company had \$11,097 in cash for a total of \$40,720 in assets and a total of \$309,234 in liabilities. 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 can generate revenue. It is anticipated that additional capital will principally be through the sales of our securities and loans from related parties. 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.

The Company's officers, directors and principal shareholders have verbally agreed to provide additional capital, up to \$100,000, to the Company to fund its current operations until the Company can raise additional capital. As of the date of this filing, the Company owes approximately \$190,761 from WB Partners LLC, which is owned by Joseph Wade, 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 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. These reasons raise substantial doubt for our auditors about our ability to continue as a going concern. Without realization of additional capital, it would be unlikely for us to continue as a going concern.

Table of Contents

Critical Accounting Policies

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

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.

Inventory

Inventories, consisting of products available for sale, are primarily accounted for using the first-in first-out ("FIFO") method, and are valued at the lower of cost or market value. This valuation requires us to make judgments, based on currently-available information, about the likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category. These assumptions about future disposition of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future.

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".

Accounting and Audit Plan

Edgar Filing: 1PM Industries - Form 10-Q

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.

Table of Contents

Intellectual Property

The Company filed to trademark the following names: Von Baron Farms (Serial No. 86675652), Breaking Batter (86610726) NewGenica (Serial No. 86550848), AquaTrim (Serial No. 86550840), DreamTrim (Serial No. 86550836), and Eat & Trim (Serial No. 86550843).

The Company is currently discussing filing a patent on a method of creating the pancake and waffle batter shelf stable.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

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

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

1. No independent directors;

Edgar Filing: 1PM Industries - Form 10-Q

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

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

Changes in Internal Controls 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

No unregistered securities were issued during the nine months ending May 31, 2016.

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 May 31, 2016 that was not previously disclosed in our filings during that period.

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: July 20, 2016

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