

# MCIG, INC.

## FORM 10-Q (Quarterly Report)

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Address	2831 ST.ROSE PARKWAY, SUITE 200 HENDERSON, NV 89052
Telephone	570-778-6459
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Symbol	MCIG
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Industry	Tobacco
Sector	Consumer Non-Cyclicals
Fiscal Year	04/30

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2016

Commission file number: 333-175941

**MCIG, INC.**

( Exact name of registrant as specified in its charter )

<b>NEVADA</b> ( State or other jurisdiction of incorporation or organization )	<b>27-4439285</b> ( I.R.S. Employer Identification No. )
<b>2831 St. Rose Parkway, Suite 200, Henderson , NV</b> ( Address of principal executive offices )	<b>89052</b> ( Zip Code )
Registrant's telephone number, including area code	<b>570-778-6459</b>

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  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of November 15, 2016, the Company had 340,614,339 shares of common stock, \$0.0001 par value outstanding.

Transitional Small Business Disclosure Format Yes  No

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**mCig, Inc.**

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Interim Condensed Financial Statements and Notes to Interim Financial Statements**

General

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements included in the Company's annual report on Form 10-K for the year ended April 30, 2016. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three months ended October 31, 2016 are not necessarily indicative of the results that can be expected for the year ending April 30, 2017.

**mCig, Inc.  
and Subsidiaries  
Consolidated Balance Sheets  
(unaudited)**

**ASSETS**

	<b>October 31, 2016</b>	<b>April 30, 2016</b>
Current Assets		
Cash and cash equivalents	\$ 285,812	\$ 80,542
Accounts Receivable, Net	38,414	6,120
Inventory	34,469	7,268
Prepaid Expenses	225,000	-
Total Current Assets	583,695	93,930
Property, Plant and Equipment, Net	5,979	1,334
Due From Related Party	-	186,276
Cost Basis Investment	243,979	67,500
Intangible Assets, Net	256,971	488
Total Assets	<u>\$ 1,090,624</u>	<u>\$ 349,528</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Accounts Payable and Accrued Expenses	\$ 66,752	\$ 45,385
Due to Shareholder	155,581	24,173
Deferred Revenue	59,177	6,502
Total Current Liabilities	281,510	76,060
Total Liabilities	281,510	76,060
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 50,000,000 shares authorized; 17,000,000 and 23,000,000 shares issued and outstanding, as of October 31, 2016 and April 30, 2016, respectively.	2,200	2,300
Common Stock, \$0.0001 par value, voting; 560,000,000 shares	33,843	30,631

authorized; 338,431,951 and 306,314,216 shares issued, and outstanding, as of October 31, 2016 and April 30, 2016, respectively.

Treasury stock	(500)	-
Additional Paid In Capital	7,606,873	6,916,635
Accumulated Deficit	(6,810,064)	(6,658,558)
Total Stockholders' Equity	832,352	291,008
Non-Controlling Interest	(23,238)	(17,540)
Total Equity	809,614	273,468
Total Liabilities and Stockholders' Equity	\$ 1,090,624	\$ 349,528

See accompanying notes to unaudited consolidated financial statements.

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**mCig, Inc.  
and Subsidiaries  
Consolidated Statements of Operations  
(unaudited)**

	Three Months Ended October 31,		Six Months Ended October 31,	
	2016	2015	2016	2015
Sales	\$ 620,015	\$ 885,556	\$ 874,717	\$ 1,254,649
Total Cost of Sales	399,864	783,880	581,265	1,026,029
Gross Profit	220,151	101,676	293,452	228,620
Selling, general, and administrative	57,914	504,331	85,526	1,288,672
Professional Fees	8,830	16,000	21,930	19,681
Stock based compensation	102,550	-	270,850	-
Consultant Fees	79,657	-	107,811	-
Amortization and Depreciation	13,486	1,994	21,562	4,064
Total Operating Expenses	262,437	522,325	507,679	1,312,417
Loss From Operations	(42,286)	(420,649)	(214,227)	(1,083,797)
Other Income (Expense)	55,815	-	57,023	-
Net Income(Loss) Before Non-Controlling Interest	13,529	(420,649)	(157,204)	(1,083,797)
Income(Loss) Attributable to Non-Controlling Interest	3,061	-	(5,698)	-
Net Income(Loss) Attributable to Controlling Interest	\$ 10,468	\$ (420,649)	\$ (151,506)	\$ (1,083,797)
Basic and Diluted Income(Loss) Per Share:				
Income(Loss) per share from Continuing Operations	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Income(Loss) Per Share	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted Average Shares Outstanding - Basic and Diluted	325,653,281	289,389,488	320,718,798	284,871,028

See accompanying notes to unaudited consolidated financial statements.

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**mCig, Inc.  
and Subsidiaries  
Statements of Cash Flows  
(unaudited)**

	For the Six Months Ended October 31,	
	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Net (Loss)	\$ (157,204)	\$ (1,083,797)
<i>Adjustments to Reconcile Net Loss to Net Cash Provided By (Used In) Operating Activities:</i>		
Depreciation and Amortization	21,562	4,064
Common Stock Issued for Services	-	686,466
Amortization of Prepaid Stock Base Compensation	-	362,575
<i>Decrease (Increase) in:</i>		
Accounts Receivable, Net	(32,294)	22,141
Receivable Other	-	(1,000)
Inventories	(27,201)	(11,037)
Prepaid Expenses and Other Current Assets	(225,000)	-
Accounts Payable, Accrued Expenses and Taxes Payable	21,367	246
Deferred Revenue	52,675	9,947

Total Adjustment to reconcile Net Income to Net Cash	(188,891)	1,073,402
Net Cash used In Operating Activities	(346,095)	(10,395)
<b>Cash Flows From Investing Activities:</b>		
<i>Increase (Decrease) in:</i>		
Net cash received from acquisition	(176,479)	-
Acquisition of property, plant and equipment	(5,066)	-
Acquisition of intangible assets	(277,536)	-
Net cash used in investing activities	(459,081)	-
<b>Cash Flows From Financing Activities:</b>		
Borrowing from related party	317,684	-
Advances from Related Party	-	28,803
Preferred Stock	(100)	-
Common Stock	3,212	-
Treasury Stock	(500)	-
Additional Paid-In Capital	690,150	4,996
Net Cash Provided By (Used in) Financing Activities	1,010,446	33,799
Net Change in Cash	205,270	23,404
Cash at Beginning of Year	80,542	102,691
Cash at End of Period	\$ 285,812	\$ 126,095
<b>Supplemental Disclosure of Cash Flows Information:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
<b>Non-cash Investing and Financing Activities:</b>		
Conversion of preferred stock to common stock	\$ 1,000	\$ -
Inventory received for forgiveness of debt	\$ -	\$ 2,460
Shares Issued for Acquisition of Vapolutions, Inc.	\$ -	\$ 67,500

See accompanying notes to unaudited consolidated financial statements.

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**MCIG, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**Note 1 – Organization and Basis of Presentation**

The accompanying unaudited financial statements of mCig, Inc., (the “Company”, “We”, “Our”), have been prepared in accordance with generally accepted accounting principles in the United States of America and the rules of the Securities and Exchange Commission (“SEC”).

The Company prepares its condensed financial statements in accordance with generally accepted accounting principles in the United States of America. The accompanying interim unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X. In management’s opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

Operating results for the three months and six months ended October 31, 2016 are not necessarily indicative of the results that may be expected for the year ending April 30, 2017. Notes to the unaudited interim condensed financial statements that would substantially duplicate the disclosures contained in the audited condensed financial statements for the year ended April 30, 2016 have been omitted; this report should be read in conjunction with the audited condensed financial statements and the footnotes thereto for the fiscal year ended April 30, 2016 included within the Company’s Form 10-K as filed with the Securities and Exchange Commission.

*Description of Business*

The Company was incorporated in the State of Nevada on December 30, 2010 originally under the name Lifetech Industries, Inc. Effective August 2, 2013, the name was changed from "Lifetech Industries, Inc." to "mCig, Inc." reflecting the new business model.

All agreements related to the Lifetech business were terminated and closed as of April 30, 2014. It will not have any impact on the current and future operations because all of these agreements are related to the previous business directions of the Company.

Since 2013, the Company manufactures, markets, and distributes electronic cigarettes, vaporizers, and accessories under the mCig brand name in the United States. It offers electronic cigarettes and related products through its online store mcig.org, as well as through the company’s wholesale, distributor, and retail programs.

In FY 2016 the Company expanded its products and services to include construction management. The Company continues to look at strategic acquisitions and product and service developments for future growth.

*Subsidiaries of the Company*

The Company's current business operations are conducted through three subsidiaries; Scalable Solutions, LLC,

VitaCig, Inc., and mCig Internet Sales, Inc.

#### VitaCig, Inc.

We distribute and wholesale the VitaCig product lines – affordable loose-leaf eCigs. Designed in the USA – with unique formulas, trade secrets, VitaCig provides a smoking experience by heating plant material, waxes, and oils delivering a smoother inhalation experience.

On June 22, 2016 the Company acquired the business operations from VitaCig, Inc., in exchange for 172,500,000 shares of stock of VitaCig, Inc., owned by the Company and \$91,276, which was a drawdown of the outstanding balance owed by VitaCig, Inc., to the Company.

#### Scalable Solutions, LLC

Scalable Solutions, LLC was organized by the Company on March 6, 2016, provides construction services in the cultivation and growing industry. Scalable began operations in December 2015, but was not officially incorporated until March 2016. The Company owns 80% of Scalable. Zoha Development, LLC maintains an option to acquire 40% of Scalable for a nominal fee.

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#### mCig Internet Sales, Inc.

On June 1, 2016, the Company incorporated mCig Internet Sales, Inc., (“mCig Internet”) in order to consolidate all online retail sales from various websites and to provide streamlining of administrative and documentation services, consolidation of inventories, and support economy of scale.

### **Note 2 – Summary of Significant Accounting Policies**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, the wholly owned subsidiaries of mCig Internet Sales, Inc., and VitaCig, Inc., and the majority owned subsidiary of Scalable Solutions, LLC for the quarter ended October 31, 2016. Significant intercompany balances and transactions have been eliminated.

#### **Inventory**

Inventory consists of finished product, mCig products valued at the lower of cost or market valuation under the first-in, first-out method of costing.

	October 31, 2016	April 30, 2016
Finished goods	\$ 34,469	\$ 7,268
Total inventory	\$ 34,469	\$ 7,268

#### **Accounts Receivable**

The Company’s accounts receivable is primarily from its vendor tasked with accepting all credit card payments for purchases from its customers, and are held in escrow for potential chargebacks, and are reported at the amount due from the vendor. The Company did not report any accounts receivable from any of its retail customers.

#### **Intangible Assets**

The Company’s intangible assets consist primarily of certain website development costs and domain urls, and are amortized over their useful life.

#### **Basic and Diluted Net Loss Per Share**

The Company follows ASC Topic 260 to account for earnings per share. Basic earnings per share (“EPS”) calculations are determined by dividing net loss by the weighted average number of shares of common stock outstanding during the three months. Diluted earnings per share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive they are not considered in the computation.

There are 38,532,412 shares in warrants and 16,000,000 shares in stock options in dilutive security as of October 31, 2016 and zero dilutive security or April 30, 2016.

#### **Concentration of Credit Risk**

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the clients that comprise our customer base and their dispersion across different business and geographic areas. We estimate and maintain an allowance for potentially uncollectible accounts and such estimates have historically been within management's expectations.

We rely almost exclusively on one Chinese factory as our principle supplier, for the manufacturing of mCig’s. Therefore, our ability to maintain operations is dependent on this third-party manufacturer.

Our cash balances are maintained in accounts held by major banks and financial institutions located in the United States. The Company may occasionally maintain amounts on deposit with a financial institution that are in excess of the federally insured limit of \$250,000. The risk is managed by maintaining all deposits in high

quality financial institutions. The Company had no deposits in excess of federally insured limits at October 31, 2016 and April 30, 2016.

### Cost-Basis Investments

The Company's non-marketable equity investment in Vapolution, Inc., is recorded using the cost-basis method of accounting, and is classified within other long-term assets on the accompanying balance sheet as permitted by FASB ASC 325, "Cost Method Investments". During the three months ended October 31, 2016 there were no impairment losses.

On September 30, 2015, the Company issued 2,500,000 shares of common stock valued at \$67,500 for the second half of the Vapolution investment.

The Company accounts for its approximately 8% ownership of Omni Health, Inc., (fka VitaCig, Inc.) as a cost-basis investment. On October 31, 2016 the Company converted its Convertible Promissory Note into equity of Omni Health, Inc. As of October 31, 2016 and April 30, 2016, there is a net book value of \$152,023 and 0, respectively of the ownership of Omni Health, Inc.

On June 22, 2016 the Company reduced its ownership of Omni Health, Inc., to 57,500,000 through a Separation and Transfer Agreement where the Company acquired the business operations of VitaCig in exchange for selling back to the treasury of Omni Health, Inc., 172,500,000 common shares. As a condition to the action, the Company's shares are non-dilutive for a period of 12 months.

### Warranties

Warranty reserves include management's best estimate of the projected costs to repair or to replace any items under warranty, based on actual warranty experience as it becomes available and other known factors that may impact the Company's evaluation of historical data. Management reviews mCig's reserves at least quarterly to ensure that its accruals are adequate in meeting expected future warranty obligations, and the Company will adjust its estimates as needed. Initial warranty data can be limited early in the launch of a product and accordingly, the adjustments that are recorded may be material. As a result, the products that can be returned as a warranty replacement are extremely limited. As a result, due to the Company's warranty policy, the Company did not have any significant warranty expenses to report for the quarter ended October 31, 2016. Based on these actual expenses, the warranty reserve, as estimated by management as of October 31, 2016 and April 30, 2016 were at \$0. Any adjustments to warranty reserves are to be recorded in cost of sales.

### Segment Information

In accordance with the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, the Company is required to report financial and descriptive information about its reportable operating segments. The Company identifies its operating segments as divisions based on how management internally evaluates separate financial information, business activities and management responsibility. In addition to the corporate segment, the Company segments and the subsidiaries associated with each segment are as follows:

Segment	Subsidiary
Construction	Scalable Solutions, Inc.
Internet Sales	mCig Internet Sales, Inc.
Wholesale	VitaCig, Inc.

### Note 3. Going Concern

The Company's financial statements are prepared using generally accepted accounting principles, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. Because the business is new and has a limited history and relatively few sales, no certainty of continuation can be stated. The accompanying financial statements for the three months and six months ended October 31, 2016 and 2015 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has suffered losses from operations and has an accumulated deficit, which raise substantial doubt about its ability to continue as a going concern.

Management is taking steps to raise additional funds to address its operating and financial cash requirements to continue operations in the next twelve months. Management has devoted a significant amount of time in the raising of capital from additional debt and equity financing. However, the Company's ability to continue as a going concern is not dependent upon raising additional funds through debt and equity financing and generating revenue. There are no assurances the Company will receive the necessary funding or generate revenue necessary to fund operations. The financial statements contain no adjustments for the outcome of this uncertainty.

### Note 4. Notes Payable

On June 15, 2016, the Company issued a convertible promissory note in the amount of \$25,000 for future legal work. The note is due on June 14, 2017 and bears interest at 10% per annum. The loan becomes convertible 180 days after date of the note. The loan can then be converted into shares of the Company's common stock at a rate of 80% multiplied by the market price, which is the average of the closing price on the preceding five (5) trading days. On October 3, 2016 the Company entered into agreement with the Note Holder to convert the promissory note into restricted common shares of the Company at market price and without interest.

## Note 5. Property, Plant and Equipment

During the six months ended October 31, 2016 the company acquired equipment for its Rollies operation, a service whereby the company provides onsite packing services at dispensaries where marijuana cigarettes are sold. The cost of the machine includes actual cost, transportation, travel for inspection and testing. The following is a detail of equipment at October 31, 2016 and April 30, 2016:

	October 31, 2016	April 30, 2016
Office Furniture	\$ 1,792	\$ 1,792
Rollies Machine	5,066	-
Depreciation	(879)	(458)
Total Property and Equipment	\$ 5,979	\$ 1,334

## Note 6. Intangible Assets:

Intangible assets, net consisted of the following:

	October 31, 2016	April 30, 2016
Website Designs	\$ 22,591	\$ 22,591
Domains	247,500	-
VitaCig Intangibles	30,124	-
Total Intangible Assets	300,215	22,591
Less: Amortization	(43,244)	(22,103)
Current Intangible Assets	\$ 256,971	\$ 488

## Note 7. Business Segments

This summary reflects the Company's current segments, as described below.

### *Corporate*

The parent company provides overall management and corporate reporting functions for the entire organization.

### *Construction*

We develop, design, engineer, and construct modular buildings with unique and proprietary elements that assist cannabis growers in the market. Each modular building is uniquely designed for each customer. The Company began construction on its first contract in April 2016. We will continue to expand our offering in the construction and modular facilities in multiple facets as the industry continues to seek better and improved ways of production.

### *Internet Sales*

The Company tracks all retail sales through the Internet through the consolidation of all online retail sales from various websites. It provides streamlining of administrative and documentation services, consolidation of inventories, and supports economy of scale.

### *Wholesale*

The wholesale division works with mass distribution channels in eCig, wholesale CBD, marijuana cigarettes (Rollies), and all other operations not directly classified in the other reportable segments.

Information concerning the revenues and operating income (loss) for the three months and six months ended October 31, 2016 and 2015, and the identifiable assets for the segments in which the Company operates are shown in the following table:

For the Three Months Ended October 31, 2015	Construction	Internet Sales	Wholesale	Corporate	Total
Revenue	\$ -	\$ 132,833	\$ 752,723	\$ -	\$ 885,556
Segment Income (Loss) from Operations	-	33,553	68,123	(522,325)	(420,649)
Total Assets	-	-	-	384,790	384,790
Capital Expenditures	-	-	-	-	-
Depreciation and Amortization	-	-	-	1,994	1,994

For the Three Months Ended October 31, 2016	Construction	Internet Sales	Wholesale	Corporate	Total
Revenue	\$ 187,594	\$ 83,820	\$ 348,601	\$ -	\$ 620,015
Segment Income (Loss) from Operations	12,246	16,505	96,195	(114,478)	10,468
Total Assets	56,424	228,148	164,840	473,889	923,301
Capital Expenditures	-	-	24,456	152,023	176,479
Depreciation and Amortization	-	13,215	181	90	13,486



For the Six Months Ended October 31, 2015	Construction	Internet Sales	Wholesale	Corporate	Total
Revenue	\$ -	\$ 277,180	\$ 977,469	\$ -	\$ 1,254,649
Segment Income (Loss) from Operations	-	83,747	144,873	(1,312,417)	(1,083,797)
Total Assets	-	-	-	411,248	411,248
Capital Expenditures	-	-	-	-	-
Depreciation and Amortization	-	-	-	4,064	4,064

For the Six Months Ended October 31, 2016	Construction	Internet Sales	Wholesale	Corporate	Total
Revenue	\$ 249,862	\$ 176,282	\$ 448,573	\$ -	\$ 874,717
Segment Income (Loss) from Operations	(31,551)	32,560	110,977	(267,462)	(151,506)
Total Assets	56,424	228,148	164,840	473,889	923,301
Capital Expenditures	-	247,500	29,522	107,743	384,765
Depreciation and Amortization	-	20,623	271	668	21,562

#### Note 8. Non-GAAP Accounting and GAAP Reconciliation – Net Income and EBITDA

The Company reports all financial information required in accordance with generally accepted accounting principles (GAAP). The Company believes, however, that evaluating its ongoing operating results will be enhanced if it also discloses certain non-GAAP information because it is useful to understand MCIG's performance that many investors believe may obscure MCIG's ongoing operational results.

For example, MCIG uses non-GAAP net income (Adjusted Net Income), which excludes stock-based compensation, amortization of acquired intangible assets, impairment of intangible assets, costs from acquisitions, restructurings and other infrequently occurring items, non-cash deferred tax provision and litigation and related settlement costs. MCIG uses EBITDA and Adjusted Net Income, which adjusts net income (loss) for amortization of intangible assets, impairment of intangible assets, stock-based compensation, costs related to acquisitions, restructuring and other infrequently occurring items, settlement of litigation, gains or losses on dispositions, pro forma adjustments to exclude lines of business that have been acquired during the periods presented, current cash tax provision, depreciation, and interest expense (income), net.

The company believes that excluding certain costs from Adjusted Net Income and EBITDA provides a meaningful indication to investors of the expected on-going operating performance of the company. Whenever MCIG uses such historical non-GAAP financial measures, it provides a reconciliation of historical non-GAAP financial measures to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these historical non-GAAP financial measures to their most directly comparable GAAP financial measure.

The following tables reflect the non-GAAP Consolidated Statements of Operations for the three month period and six months ending October 31, 2016 and October 31, 2015, respectively.

#### mCig, Inc. and Subsidiaries Adjusted Consolidated Statements of Operations (unaudited)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2016	2015	2016	2015
Sales	\$ 620,015	\$ 885,556	\$ 874,717	\$ 1,254,649
Total Cost of Sales	399,864	783,880	581,265	1,026,029
Gross Profit	220,151	101,676	293,452	228,620
Selling, general, and administrative	57,914	163,830	85,436	602,206
Professional Fees	8,830	16,000	21,930	19,681
Consultant Fees	79,657	-	107,812	-
Depreciation	271	-	910	-
Total Operating Expenses	146,672	179,830	216,088	621,887
Income ( Loss) From Operations	73,479	(78,154)	77,364	(393,267)
Other Income (Expense)	53,915	-	53,915	-
Net Income ( Loss) Before Non-Controlling Interest	127,394	(78,154)	131,279	(393,267)
Income ( Loss) Attributable to Non-Controlling Interest	3,061	-	(5,698)	-
Net Income ( Loss) Attributable to Controlling Interest	\$ 124,333	\$ (78,154)	\$ 136,977	\$ (393,267)

The following tables is a reconciliation of the EBITDA and Adjusted Net Income (non-GAAP measures) to the Net Income with the GAAP Consolidated Statements of Operations for the three month period and six months ending October 31, 2016 and October 31, 2015, respectively.

RECONCILIATION	2016	2015	2016	2015
<b>Net Income (Loss)</b>	<b>\$ 10,468</b>	<b>\$ (420,649)</b>	<b>\$ (151,509)</b>	<b>\$ (1,083,797)</b>
Interest	(1,900)		(3,108)	
Depreciation and Amortization	13,486	1,994	21,654	4,064
<b>EBITDA</b>	<b>22,054</b>	<b>(418,655)</b>	<b>(132,963)</b>	<b>(1,079,733)</b>
Adjustment for Non-Intangible Asset Depreciation	(271)	-	(910)	-
Stock Based Compensation	102,550	340,501	270,850	686,466
<b>Adjusted Net Income</b>	<b>\$ 124,333</b>	<b>\$ (78,154)</b>	<b>\$ 136,977</b>	<b>\$ (393,267)</b>

## Note 9. Acquisitions

### VitaCig, Inc.

On June 22 2016, the Company and VitaCig, Inc., entered into a Separation and Share Transfer Agreement whereby VitaCig transferred the assets and operations of the business of VitaCig, Inc., to Company in exchange for the return of 172,500,000 shares of VitaCig Common Stock to the treasury of VitaCig, Inc., and for a reduction of the amount owed to the Company in excess of \$95,000.

The purchase price of VitaCig was \$68,123. The purchase price was derived from the amount of the reduction in Due from VitaCig in excess of \$95,000. In addition, the company returned 172,500,000 shares of VitaCig Common Stock which had no recorded net present value. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed, at the date of acquisition:

Current assets	\$ 58,189
Inventory	26,607
Intangible assets (domain, website, trademark, trade secrets)	30,124
<b>Total assets acquired</b>	<b>114,920</b>
Current Liabilities	12,923
Deferred Revenue	31,874
Due to Related Party	2,000
<b>Total liabilities assumed</b>	<b>46,797</b>
<b>Net assets acquired</b>	<b>\$ 68,123</b>

### Gray Matter, LLC - Cherry Hemp Oil (CHO)

On August 15, 2016 the Company entered into an Asset Purchase Agreement with Gray Matter, LLC. The Agreement was consummated on September 1, 2016. The Company acquired all inventory and intellectual property in exchange for \$35,000 in common stock. As a condition to this acquisition, the Company entered into a Consulting Agreement with John James Southard who became the President, mCig CBD Division.

The purchase price of Gray Matter, LLC – Cherry Hemp Oil was \$30,000. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed, at the date of acquisition:

Cash	\$ 4,456
Inventory	3,545
Accounts Receivable	87
Intangible assets (Website)	24,457
<b>Total assets acquired</b>	<b>32,545</b>
Deferred Revenue	545
Due to Related Party	2,000
<b>Total liabilities assumed</b>	<b>2,545</b>
<b>Net assets acquired</b>	<b>\$ 30,000</b>

In accordance with ASC 805-10-50, the Company is providing the following unaudited pro-forma to present a summary of the combined results of the Company's consolidated operations with the acquisitions as if the acquisitions had been completed as of the beginning of the reporting period.

CONSOLIDATED STATEMENT of OPERATIONS:	For period ending October 31,		Six Months ending October 31,	
	2016	2015	2016	2015
Sales	\$ 631,722	\$ 897,263	\$ 1,261,837	\$ 1,333,392
Cost of Sales	403,480	787,496	855,061	1,074,831
Gross Profit	228,242	109,767	406,776	258,561
Operating Expenses	337,633	597,521	758,749	1,429,695
(Loss) from Operations	(109,391)	(487,754)	(351,703)	(1,171,134)
Other Income / (Expense)	55,815	-	57,023	-

Net Loss Before Non-Controlling Interest	\$ (53,576)	\$ (487,754)	\$ (294,680)	\$ (1,171,134)
Loss Attributable to Non-Controlling Interest	(3,061)	-	(3,061)	-
Net Loss Attributable to Controlling Interest	<u>(56,637)</u>	<u>(487,754)</u>	<u>(297,741)</u>	<u>(1,171,134)</u>

#### Note 10. Related Parties and Related Party Transactions

On May 1, 2016 the Company entered into a Line of Credit Agreement for up to \$100,000 with Paul Rosenberg, the Chairman and CEO. The Company will utilize the Line of Credit as needed for day-to-day operations. During this quarter the company utilized \$10,908 under the Line of Credit Agreement. Currently the Company owes \$35,081 on the Line of Credit.

On September 1, 2016 the Company entered into an employment agreement with Michael Hawkins, the Chief Financial Officer and an employment agreement with Paul Rosenberg, the Chief Executive Officer of the Company (“employees”). Mr. Hawkins was the Interim Chief Financial Officer which agreement was scheduled to expire on September 6, 2016. Mr. Rosenberg has been the CEO since inception and served without an agreement. The terms of the Agreement are the same. The agreements call for \$156,000 per year base salary with a three year term. Only \$3,000 per month guaranteed to be paid in cash, while the remainder (\$10,000 per month) is booked as a note due, which may be converted into shares of the company at then current price per share. The initial year’s conversion option was accrued upon entering into the agreement. The employees earn annual bonuses based upon gross sales, net profits, and annual increases in sales and profits. The Company and employees may elect to convert a portion of this salary into equity of the company. In addition, each employee was issued a seven year warrant to acquire four percent (4%) of the Company Stock at the market price as of September 1, 2016 with 25% vested immediately and 25% on each subsequent year anniversary of employment.

On October 31, 2016 the company’s Chief Financial Officer, Michael Hawkins, exercised a Warrant purchasing 4,800,000 shares of common stock at the price of \$0.025, totaling \$120,000. 1,000,000 shares of the stock bought was issued to Carl G. Hawkins, the son of Michael Hawkins.

#### Note 11. Stockholders’ Equity

##### Common Stock

On June 7, 2016, the Company issued 2,941,176 shares of common stock for services and 7,500,000 shares of common stock in exchange for the purchase of three domain urls. The common stock issued for services was recorded as Stock Based Compensation in the amount of \$92,000. The common stock issued for the purchase of the domain urls was recorded as an Intangible Asset in the amount of \$247,500.

On June 30, 2016, the Company issued 865,854 shares of common stock for services and was recorded as Stock Based Compensation in the amount of \$35,500.

On July 31, 2016, the Company issued 966,667 shares of common stock for services and was recorded as Stock Based Compensation in the amount of \$34,800.

On August 15, 2016, the Company issued 882,353 shares of common stock for the acquisition of Cherry Hemp Oil in the amount of \$30,000.

On August 31, 2016, the Company issued 1,067,241 shares of common stock for services and was recorded as Stock Based Compensation in the amount of \$30,950.

On September 1, 2016, the Company issued 2,000,000 shares of common stock for services and was recorded as Stock Based Compensation in the amount of \$58,000.

On September 30, 2016, the Company issued 400,000 shares of common stock for services and was recorded as Stock Based Compensation in the amount of \$13,600.

##### Preferred Stock

The Company has authorized 50,000,000 shares of preferred stock, at \$0.0001 par value and 17,000,000 and 23,000,000 are issued and outstanding as of October 31, 2016 and April 30, 2016, respectively. Each share of the Preferred Stock has 10 votes on all matters presented to be voted by the holders of the Company’s common stock. All of the 23,000,000 shares of issued and outstanding preferred stock were granted to the Company’s Chief Executive Officer on September 23, 2013, which was valued at \$2,300, the price of the common stock of \$0.0001 exchanged in the transaction. On September 25, 2016 the Company’s CEO sold back to the Company 5,000,000 shares of Preferred Stock in exchange for \$500 (par value). The Company’s CEO currently owns 16,000,000 shares of Series A Preferred on October 31, 2016.

On May 15, 2016, a shareholder elected to convert 400,000 shares of Series A Preferred Stock into 4,000,000 shares of common stock.

On June 8, 2016, Paul Rosenberg, the Company’s CEO and Chairman of the Board, converted 600,000 shares of Series A Preferred Stock into 6,000,000 shares of common stock.

#### Note 12 – Stock Option Plan

Under its Year 2016 Stock Option Plan (the “Plan”), the Company grants stock options for a fixed number of shares to employees and directors with an exercise price equal to the fair market value of the shares at the date of grant.

Options granted under the Plan are exercisable at the exercise price of grant and, subject to termination of employment, expire three years from the date of issue, are not transferable other than on death, and vest in monthly installments commencing at various times from the date of grant. As of October 31, 2016, the Company recorded compensation cost of \$0 within operating expenses related to stock options granted in 2016. As at October 31, 2016 total compensation cost related to non-vested awards not yet recognized was \$0.

The weighted average fair value at date of grant for options granted during fiscal 2016 is \$0.034 per option. The fair value of each option at date of grant utilized the closing price of the stock on the date of issue.

A summary of the Company's stock option plan as of October 31, 2016 is presented below:

	Shares	Weighted Average Exercise Price
Options outstanding at beginning on period	-	\$ -
Granted	16,000,000	0.034
Forfeited	-	\$ -
Exercised	-	-
Options outstanding at October 31, 2016	16,000,000	\$ 0.034

There are currently 34,000,000 unissued options under the 2016 Stock Option Plan.

The following table summarizes information for stock options outstanding at October 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding @ 10/31/16	Weighted- Average Remaining in years	Weighted- Average Exercise Price	Number Exercisable @ 10/31/16	Weighted- Average Exercise Price
\$0.034 - \$0.034	16,000,000	2.92	\$ 0.034	2,800,000	\$ 0.034

### Note 13. Warrants

A total of 43,332,412 warrants were issued on September 1, 2016 to various individuals/entities. These warrants were issued as a condition of employment agreements with the CEO and CFO. A total of 10,833,103 shares vest immediately with 10,833,103 vesting on the anniversary date for three years. The conversion price of the warrants is at \$0.025.

A summary of warrant activity for period ended October 31, 2016 is as follows:

	Shares	Weighted Average Conversion Price
Warrants outstanding at April 30, 2016	-	\$ -
Exercised	4,800,000	\$ 0.025
Granted	43,332,412	\$ 0.025
Warrants outstanding at October 31, 2016	38,532,412	\$ 0.025

### Note 14. Subsequent Events

On November 1, 2016, the Company issued 1,582,388 shares of common stock to two individuals to settle outstanding claims against the Company. The Company recorded the expense as settlement costs in the amount of \$47,471.64.

On November 8, 2016 there was a purchase of 600,000 shares through the 2016 MCIG Stock Option Plan.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes thereto in our Annual Report on Form 10-K for the year ended April 30, 2016.*

Certain statements in this section contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this report and not clearly historical in nature are forward-looking, and the words “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “intends,” “potential,” and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) generally are intended to identify forward-looking statements. Any statements in this report that are not historical facts are forward-looking statements. Actual results may differ materially from those discussed from time to time in the Company’s Securities and Exchange Commission filings. The Company undertakes no obligation to update or revise any forward-looking statement for events or circumstances after the date on which such statement is made except as required by law.

## Overview

mCig, Inc. (mCig) was incorporated in the State of Nevada on December 30, 2010 originally under the name Lifetech Industries, Inc. Effective August 2, 2013, the name was changed from "Lifetech Industries, Inc." to "mCig, Inc." reflecting the new business model. Since October 2013, we have positioned ourselves as a company focused on two long-term secular trends:

(1) the decriminalization and legalization of marijuana for medicinal or recreational purposes - legalizing medicinal and recreational marijuana usage is steadily on the rise not only domestically but also internationally. Marijuana has been decriminalized in over twenty countries, in over five continents.

On November 8, 2016, as management predicted, eight of the nine states who had referendums for the legalization of marijuana, either for medical purposes and recreational use passed. Management believes that due to these measure the marijuana industry will quadruple in size in a relatively short period of time.

(2) The adoption of electronic vaporizing cigarettes (commonly known as “eCigs”), as smokers move away from traditional cigarettes onto e-cigarettes. Smoking tobacco causes numerous health problems, including disease and death. Smoking becomes very addicting quickly, and the most difficult part is cessation. The Company contends that e-cigarettes offer a safer and healthier alternative to traditional tobacco cigarettes. E-cigarettes operate by heating a mixture of liquid nicotine and flavoring, which is then inhaled and exhaled in the same manner as a cigarette. However, e-cigarettes do not contain any tobacco or other dangerous additives. Scientific research has shown that the leading cause of cancer in smokers comes from the carcinogens in tobacco. As the movement towards personal health grows, smokers are trying to quit their harmful habits.

Since 2013, the Company manufactures, markets, and distributes electronic cigarettes, vaporizers, and accessories under the mCig brand name in the United States. It offers electronic cigarettes and related products through its online store mcig.org, as well as through the company’s wholesale, distributor, and retail programs.

## Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to uncollectible receivables, inventory valuation, deferred compensation and contingencies.

We base our estimates on historical performance and on various other assumptions that we believe to be reasonable under the circumstances. These estimates allow us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We believe the following accounting policies are our critical accounting policies because they are important to the portrayal of our financial condition and results of operations and they require critical management judgments and estimates about matters that may be uncertain. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected.

### Revenue Recognition

Our revenue recognition policy is in accordance with generally accepted accounting principles, which requires the recognition of sales when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determined and the collectability of revenue is reasonably assured.

The Company recognizes revenue for sales online either direct to consumer or through our Wholesaler, Distributor, Reseller (WDR) program. For online sales, revenue is recognized by the Company at the time of order fulfillment. Since mCig collects payment for each online order at the time of sale, the point of shipping revenue recognition method ensures that the Company recognizes the revenue collected within 24-48 hours after the order is received and the funds are collected.

Amounts billed or collected in excess of revenue recognized are recorded as deferred revenue.

### Operating Results

Our operating results for the three months ended October 31, 2016 and 2015 are summarized as follows:

	For the Three Months Ended October 31,	
	2016	2015
Revenue	\$ 620,015	\$ 885,556

Cost of Goods Sold	399,864	783,880
Gross Profit	220,151	101,676
Expenses	262,437	522,325
Net Loss from operations	(42,286)	(420,649)
Other income (expense)	55,815	-
Net Income (Loss)	13,529	(420,649)

Our operating results for the six months ended October 31, 2016 and 2015 are summarized as follows:

	For the Six Months Ended October 31,	
	2016	2015
Revenue	\$ 874,717	\$ 1,254,649
Cost of Goods Sold	581,265	1,026,029
Gross Profit	293,452	228,620
Expenses	507,679	1,312,417
Net Loss from operations	(214,227)	(1,083,797)
Other income (expense)	57,023	-
Net loss	(157,204)	(1,083,797)

### *Adjusted Net Income*

Our adjusted operating results for the three months ended October 31, 2016 and 2015 are summarized as follows:

	For the Three Months Ended October 31,	
	2016	2015
Revenue	\$ 620,015	\$ 888,556
Cost of Goods Sold	399,864	783,880
Gross Profit	220,151	101,676
Expenses	146,672	179,830
Net Loss from operations	73,479	(78,154)
Other income (expense)	53,915	-
Adjusted Net Income (Loss)	127,394	(78,154)

Our adjusted operating results for the six months ended October 31, 2016 and 2015 are summarized as follows:

	For the Six Months Ended October 31,	
	2016	2015
Revenue	\$ 874,717	\$ 1,254,649
Cost of Goods Sold	581,265	1,026,029
Gross Profit	293,452	228,620
Expenses	216,088	621,887
Net Loss from operations	77,364	(393,267)
Other income (expense)	53,915	-
Adjusted Net Income (Loss)	131,279	(393,267)

## **Results of Operations**

### Three Months Ended October 31, 2016 Compared to Three Months Ended October 31, 2015

#### **Revenue**

Our revenue from continuing operations for the three months ended October 31, 2016 was \$620,015 compared to \$885,556, a decrease of \$265,541 or approximately 30%, for the three months ended October 31, 2015. This decrease is primarily due to the Company losing the distribution on its largest customer, which represented 50% of the sales for the quarter ending October 31, 2015. Revenues consist primarily of results from the sales of the electronic vaporisers, the components for vaporisers and related accessories, our CBD Products and construction.

#### **Cost of Goods Sold**

Our cost of goods sold for the three months ended October 31, 2016 was \$399,864 compared to \$783,880 for the three months ended October 31, 2015. The decrease is primarily due to the decrease in sales.

#### **Gross Profit**

Our gross profit for the three months ended October 31, 2016 was \$220,151 compared to \$101,676 for the three

months ended October 31, 2015. The gross profit of \$220,151 for the three months ended October 31, 2016 represents approximately 35% as a percentage of total revenue. The gross profit of \$101,676 for the three months ended October 31, 2015 represents approximately 11% as a percentage of total revenue. This increase in the gross profit is primarily attributed to the elimination of the largest customer whose margins were extremely small, while increasing sales to other clients with better margins.

### **Operating Expenses**

Our operating expenses decreased by \$259,888 to \$262,437 for the three months ended October 31, 2016, from \$522,325 for the three months ended October 31, 2015.

The decrease was primarily due to the decrease in professional fees of \$7,170 and in selling, general and administrative expenses of \$264,210, with an increase in amortization and depreciation of \$11,492.

Our total operating expenses for the three months ended October 31, 2016 of \$262,437 consisted of \$57,914 of selling, general and administrative expenses, \$8,830 of professional fees, \$102,550 of stock based compensation, \$79,657 in consulting fee, and \$13,486 of amortization and depreciation expenses. Our general and administrative expenses consist of bank charges, telephone expenses, meals and entertainments, computer and internet expenses, postage and delivery, office supplies and other expenses.

### **Net Income/Loss**

We generated a net income of \$13,529 for the three months ended October 31, 2016, while we generated a net loss of \$420,649 for the three months ending October 31, 2015, a net increase of \$434,178. The net improvement in net income compared to the prior period's net loss is primarily a result of the decrease in operating expenses of \$259,888, an increase in gross profit of \$118,475, the gain from conversion of convertible promissory note of \$53,915, and an increase in interest income of \$1,900.

### Six Months Ended October 31, 2016 Compared to Six Months Ended October 31, 2015

#### **Revenue**

Our revenue from continuing operations for the six months ended October 31, 2016 was \$874,717 compared to \$1,254,649, a decrease of \$379,932 or approximately 30%, for the six months ended October 31, 2015. This decrease is primarily due to the Company losing the distribution on its largest customer, which represented 43% of the sales for the quarter ending October 31, 2015. Excluding this customer revenue increased by 13% overall.

#### **Cost of Goods Sold**

Our cost of goods sold for the six months ended October 31, 2016 was \$581,265 compared to \$1,026,029 for the six months ended October 31, 2015. The decrease is primarily due to a decrease in sales.

#### **Gross Profit**

Our gross profit for the six months ended October 31, 2016 was \$293,452 compared to \$228,620 for the six months ended October 31, 2015. The gross profit of \$293,452 for the six months ended October 31, 2016 represents approximately 33% as a percentage of total revenue. The gross profit of \$228,620 for the six months ended October 31, 2015 represents approximately 18% as a percentage of total revenue. This increase in gross profit is primarily attributed to the elimination of our largest customer with small profit margins and an increase in sales with a higher profit margin.

#### **Operating Expenses**

Our operating expenses decreased by \$804,738 to \$507,679 for the six months ended October 31, 2016, from \$1,312,417 for the six months ended October 31, 2015.

The decrease was primarily due to the decrease in selling, general and administrative expenses of \$1,203,236. There was a decrease in professional fees of \$2,249 and an increase in amortization and depreciation of \$17,590.

Our total operating expenses for the six months ended October 31, 2016 of \$507,682 consisted of \$85,526 of selling, general and administrative expenses, \$21,930 of professional fees, \$270,850 of stock based compensation, \$107,811 in consulting fees, and \$21,562 of amortization and depreciation expenses. Our general and administrative expenses consist of professional fees, bank charges, telephone expenses, meals and entertainments, computer and internet expenses, postage and delivery, office supplies and other expenses.

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#### **Net Loss**

Our net loss decreased by \$926,593 to \$157,204 for the six months ended October 31, 2016 from \$1,083,797 for the six months ending October 31, 2015. The decrease in net loss compared to the prior period is primarily a result of the decrease in operating expenses of \$869,570 and the increase in gross profit of \$64,832, the gain from conversion of convertible promissory note of \$53,915, and an increase in interest income of \$3,108.

#### **Liquidity and Capital Resources**

##### Introduction

During the six months ended October 31, 2016 we had a cash surplus of \$149,844 in operating cash flows. Our cash on hand as of October 31, 2016 was \$285,812. At October 31, 2016, the Company had a working capital surplus of \$205,270.

#### *Cash Requirements*

We had cash available of \$285,812 as of October 31, 2016. Based on our revenues, cash on hand we believe that our operations are sufficient to fund operations through April 2017.

#### **Sources and Uses of Cash**

##### *Operations*

We had net cash used in continuing operating activities of \$346,095 for the six months ended October 31, 2016, as compared to cash used of \$10,395 for the six months ended October 31, 2015. This is due to the reclassification of stock-based compensation as a financing activity.

Net cash used by continuing operations consisted primarily of the net loss of \$157,204 offset by non-cash expenses of \$21,562 consisting of depreciation and amortization of intangible assets of \$21,652. Additionally, changes in assets and liabilities consisted of decreases in accounts receivable of \$32,294 and accounts payable of \$21,367, which were partially offset by increases in inventory of \$27,201, prepaid expenses of \$225,000 and deferred revenue of \$52,675.

##### *Investments*

We had net cash used in continuing investing activities was \$459,081 and \$0 for the six months ended October 31, 2016 and October 31, 2015, respectively.

##### *Financing*

We had net cash provided by continuing financing activities of \$1,010,446 for the six months ended October 31, 2015, as compared to net cash provided of \$33,799 for the six months ended October 31, 2015. Our financing activities consisted primarily of \$317,684 in borrowing from related parties and \$690,150 in additional paid in capital.

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#### **Results of Adjusted Operations**

##### Three Months Ended October 31, 2016 Compared to Three Months Ended October 31, 2015

#### **Revenue**

Our revenue from continuing operations for the three months ended October 31, 2016 was \$620,015 compared to \$885,556, a decrease of \$265,541 or approximately 30%, for the three months ended October 31, 2015. This decrease is primarily due to the Company losing the distribution on its largest customer, which represented 50% of the sales for the quarter ending October 31, 2015. Revenues consist primarily of results from the sales of the electronic vaporisers, the components for vaporisers and related accessories, our CBD Products and construction.

#### **Cost of Goods Sold**

Our cost of goods sold for the three months ended October 31, 2016 was \$399,864 compared to \$783,880 for the three months ended October 31, 2015. The decrease is primarily due to the decrease in sales.

#### **Gross Profit**

Our gross profit for the three months ended October 31, 2016 was \$220,151 compared to \$101,676 for the three months ended October 31, 2015. The gross profit of \$220,151 for the three months ended October 31, 2016 represents approximately 35% as a percentage of total revenue. The gross profit of \$101,676 for the three months ended October 31, 2015 represents approximately 11% as a percentage of total revenue. This increase in the gross profit is primarily attributed to the elimination of the largest customer whose margins were extremely small, while increasing sales to other clients with better margins.

#### **Adjusted Operating Expenses**

Our adjusted operating expenses decreased by \$33,518 to \$146,672 for the three months ended October 31, 2016, from \$179,830 for the three months ended October 31, 2015.

The decrease was primarily due to the decrease in professional fees of \$7,170 and in selling, general and administrative expenses of \$262,56, with an increase in amortization and depreciation of \$271.

Our total adjusted operating expenses for the three months ended October 31, 2016 of \$146,672 consisted of \$57,914 of selling, general and administrative expenses, \$8,830 of professional fees, \$79,657 in consulting fee, and \$271 of depreciation expenses. Our general and administrative expenses consist of bank charges, telephone expenses, meals and entertainments, computer and internet expenses, postage and delivery, office supplies and other expenses.

#### **Adjusted Net Income/Loss**



We generated an adjusted net income of \$124,333 for the three months ended October 31, 2016, while we generated a net loss of \$78,154 for the three months ending October 31, 2015, a net increase of \$202,487. The net improvement in net income compared to the prior period's net loss is primarily a result of the decrease in operating expenses of \$33,518, an increase in gross profit of \$118,475, the gain from conversion of convertible promissory note of \$53,915, and an increase in interest income of \$1,900.

#### Six Months Ended October 31, 2016 Compared to Six Months Ended October 31, 2015

##### **Revenue**

Our revenue from continuing operations for the six months ended October 31, 2016 was \$874,717 compared to \$1,254,649, a decrease of \$379,932 or approximately 30%, for the six months ended October 31, 2015. This decrease is primarily due to the Company losing the distribution on its largest customer, which represented 43% of the sales for the quarter ending October 31, 2015. Excluding this customer revenue increased by 13% overall.

##### **Cost of Goods Sold**

Our cost of goods sold for the six months ended October 31, 2016 was \$581,265 compared to \$1,026,029 for the six months ended October 31, 2015. The decrease is primarily due to a decrease in sales.

##### **Gross Profit**

Our gross profit for the six months ended October 31, 2016 was \$293,452 compared to \$228,620 for the six months ended October 31, 2015. The gross profit of \$293,452 for the six months ended October 31, 2016 represents approximately 33% as a percentage of total revenue. The gross profit of \$228,620 for the six months ended October 31, 2015 represents approximately 18% as a percentage of total revenue. This increase in gross profit is primarily attributed the elimination of our largest customer with small profit margins and an increase in sales with a higher profit margin.

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##### **Adjusted Operating Expenses**

Our adjusted operating expenses decreased by \$405,799 to \$216,088 for the six months ended October 31, 2016, from \$621,887 for the six months ended October 31, 2015.

The decrease was primarily due to the decrease in selling, general and administrative expenses of \$408,958. There was an increase in professional fees of \$2,249 and an increase in amortization and depreciation of \$921.

Our total adjusted operating expenses for the six months ended October 31, 2016 of \$507,682 consisted of \$85,436 of selling, general and administrative expenses, \$21,930 of professional fees, \$107,812 in consulting fees, and \$921 in depreciation expenses. Our general and administrative expenses consist of professional fees, bank charges, telephone expenses, meals and entertainments, computer and internet expenses, postage and delivery, office supplies and other expenses.

##### **Adjusted Net Income/Loss**

We generated an adjusted net income of \$131,279 for the six months ended October 31, 2016, while we generated a net loss of \$393,267 for the six months ending October 31, 2015, a net improvement of \$524,546. The net improvement in net income compared to the prior period's net loss is primarily a result of the decrease in operating expenses of \$401,799 and the increase in gross profit of \$64,832, the gain from conversion of convertible promissory note of \$53,915, and an increase in interest income of \$3,108.

##### **Off-Balance Sheet Arrangements**

We have no 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 we consider material.

##### **Going Concern**

Our financial statements are prepared using generally accepted accounting principles, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. Because the business is relatively new and has a short history and relatively few sales, no certainty of continuation can be stated. The accompanying financial statements for the three months and six months ended October 31, 2016 have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has suffered losses from operations and has an accumulated deficit, which raises substantial doubt about its ability to continue as a going concern

##### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are a smaller reporting company and therefore, we are not required to provide information required by this Item of Form 10-Q.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

We carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of October 31, 2016. In designing and evaluating the disclosure controls and procedures, management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, management is required to apply its reasonable judgment. Based on the evaluation described above, 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 because we did not document our Sarbanes-Oxley Act Section 404 internal controls and procedures.

As funds become available to us, we expect to implement additional measures to improve disclosure controls and procedures such as implementing and documenting our internal controls procedures.

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### **Changes in internal controls over financial reporting**

There have been no changes in our internal control over financial reporting during the quarter ended October 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### *Limitations on the Effectiveness of Controls*

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The Company's management, including its Principal Executive Officer and its Principal Financial Officer, do not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. Except as set forth below we are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

#### **Item 1A. Risk Factors**

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

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In the three months ended October 31, 2016, the Company did not issue any shares of common stock.

### **Item 3. Defaults Upon Senior Securities**

There have been no events that are required to be reported under this Item.

### **Item 4. Mine Safety Disclosures**

There have been no events that are required to be reported under this Item.

**Item 5. Other Information**

There have been no events that are required to be reported under this Item.

**Item 6. Exhibits**

- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 \* Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 \* Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document  
\* Furnished herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**mCig, Inc.**

Dated: December 12, 2016

\_\_\_\_\_  
/s/ Paul Rosenberg  
By: Paul Rosenberg  
Its: Chief Executive Officer  
(Principal Executive Officer)

Dated: December 12, 2016

\_\_\_\_\_  
/s/ Michael W. Hawkins  
By: Michael W. Hawkins  
Its: Chief Financial Officer  
(Principal Financial Officer)

**Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer**

I, Paul Rosenberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of mCig, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 12, 2016

By: /s/ Paul Rosenberg  
Paul Rosenberg  
Its: Chief Executive Officer  
(Principal Executive Officer)

## Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer

**I, Michael Hawkins, certify that:**

1. I have reviewed this Quarterly Report on Form 10-Q of mCig, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting .

Dated: December 12, 2016

By: /s/ Michael W. Hawkins  
Michael W. Hawkins  
Its: Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 USC SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended October 31, 2016 of mCig, Inc. (the "Company"), as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Paul Rosenberg, President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 12, 2016

By: /s/ Paul Rosenberg  
Paul Rosenberg  
Its: Chief Executive Officer  
(Principal Executive Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.

**CERTIFICATION PURSUANT TO 18 USC SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended October 31, 2016 of mCig, Inc. (the "Company"), as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Michael Hawkins, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 12, 2016

By: /s/ Michael W. Hawkins  
Michael W. Hawkins  
Its: Chief Financial Officer  
(Principal Financial Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.