

# MCIG, INC.

## FORM 10-Q (Quarterly Report)

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Address	4720 SALISBURY ROAD, STE 100 JACKSONVILLE, FL, 32256
Telephone	570-778-6459
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Symbol	MCIG
SIC Code	2111 - Cigarettes
Industry	Tobacco
Sector	Consumer Non-Cyclicals
Fiscal Year	04/30

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

**Form 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **January 31, 2019**

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: 000-55986**

**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>4720 Salisbury Road Jacksonville, FL</b> (Address of principal executive offices)	<b>32256</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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(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 February 15, 2019, the Company had 516,974,596 shares of common stock, \$0.0001 par value outstanding.

Transitional Small Business Disclosure Format Yes  No

**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, 2018. 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 and nine months ended January 31, 2019 are not necessarily indicative of the results that can be expected for the year ending April 30, 2019.

*mCig, Inc.*  
*and SUBSIDIARIES*  
**Consolidated Balance Sheets**  
**ASSETS**

	January 31, 2019	April 30, 2018
Current Assets		
Cash and cash equivalents	\$ 380,297	\$ 511,950
Accounts receivable, net	425,719	2,159,267
Inventory	913,079	63,297
Work in Progress	471,891	64,245
Notes and other receivable	148,000	1,529
Prepaid expenses	20,189	90,141
Total current assets	2,359,175	2,890,429
Property, plant and equipment, net	2,839,219	3,138,019
Cost basis investment	4,263,594	967,608
Intangible assets, net	555,086	835,320
Total assets	\$ 10,017,074	\$ 7,831,376

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities		
Accounts payable and accrued expenses	\$ 578,355	\$ 218,703
Due to shareholder	1,217,565	571,138
Other current liabilities	91,365	-
Reserve for uncollected accounts	-	586,560

Reserve for legal settlements	750,580	750,579
Deferred revenue	54,310	5,145
<b>Total current liabilities</b>	<b>2,692,175</b>	<b>2,132,125</b>
<b>Total Liabilities</b>	<b>2,692,175</b>	<b>2,132,125</b>
<b>Stockholders' equity</b>		
Preferred stock, \$0.0001 par value; 50,000,000 shares authorized; 4,350,000 and 11,850,000 shares issued and outstanding, as of January 31, 2019 and April 30, 2018, respectively.	435	1,185
Common stock, \$0.0001 par value; 560,000,000 shares authorized; 516,974,596 and 415,610,809 shares issued and outstanding, as of January 31, 2019, and April 30, 2018, respectively.	51,698	41,561
Treasury stock	(680,330)	(680,330)
Additional paid in capital	16,853,943	12,673,339
Accumulated deficit	(7,750,392)	(6,208,431)
<b>Total stockholders' equity</b>	<b>8,475,354</b>	<b>5,827,324</b>
Non-controlling interest	(1,150,455)	(128,073)
<b>Total equity</b>	<b>7,324,899</b>	<b>5,699,251</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 10,017,074</b>	<b>\$ 7,831,376</b>

See accompanying notes to unaudited consolidated financial statements.

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**mCig, Inc.**  
**and SUBSIDIARIES**  
**Consolidated Statements of Operations**

	<i>(unaudited)</i> For the three months ended January 31,		<i>(unaudited)</i> For the nine months ended January 31,	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Sales	\$ 763,084	\$ 780,241	\$ 1,941,478	\$ 6,006,252
Construction costs	6,586	31,320	186,686	2,663,181
Merchandise	322,328	257,960	884,147	756,970
Commissions	33,881	18,893	83,356	56,307
Merchant fees, shipping, and other costs	26,241	44,658	163,032	397,394
Amortization and depreciation as a COG	121,159	115,495	363,135	199,455
<b>Total Cost of Sales</b>	<b>510,195</b>	<b>468,326</b>	<b>1,680,356</b>	<b>4,073,307</b>
Gross Profit	252,889	311,915	261,122	1,933,024
Selling, general, and administrative	144,830	84,033	383,041	241,786
Professional fees	73,578	65,043	259,956	106,056
Stock based compensation	-	233,500	28,990	278,750
Marketing & advertising	40,098	13,345	60,487	25,503
Research and development	-	513	-	4,634
Consultant fees	142,495	430,092	632,682	962,209
Bad Debts	1,250,000	-	1,250,000	-
Amortization and depreciation	69,176	10,581	219,063	31,472
<b>Total operating expenses</b>	<b>1,720,177</b>	<b>837,107</b>	<b>2,834,219</b>	<b>1,650,410</b>
Income (Loss) from operations	(1,467,288)	(525,192)	(2,573,097)	282,614
Other income (expense)	1,541	-	25,319	-
Net income from operations	(1,465,747)	(525,192)	(2,547,778)	282,614
Loss on discontinued operations	(16,568)	-	(16,568)	-
Net income(loss) before minority interest	(1,482,315)	(525,192)	(2,564,346)	282,614
Gain attributable to non-controlling interest	731,671	70,422	1,022,382	70,422
Net income (loss) attributable to controlling interest	<b>\$ (750,644)</b>	<b>\$ (454,770)</b>	<b>\$ (1,637,086)</b>	<b>\$ 353,036</b>
Basic and diluted (Loss) per share:				
Income(Loss) per share from continuing operations	(0.0015)	(0.0012)	(0.0032)	0.0009

Income(Loss) per share	(0.0015)	(0.0012)	(0.0032)	0.0009
Weighted average shares outstanding - basic and diluted	480,262,805	392,843,133	493,439,072	392,843,133

See accompanying notes to unaudited consolidated financial statements.

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

	<b>For the Nine Months Ended January 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net (Loss)	(2,564,358)	\$ 282,614
<i>Adjustments to reconcile net loss to net</i>		
<i>Cash provided by (used in) operating activities:</i>		
Depreciation and amortization	570,739	230,927
Common stock issued for services	28,990	278,750
<i>Decrease (Increase) in:</i>		
Accounts receivable, net	(320,164)	(2,002,287)
Other receivable	(146,471)	-
Inventories	(1,342,837)	3,475
Prepaid expenses and other current assets	66,112	105,300
Accounts payable, accrued expenses and taxes payable	359,653	(783,176)
Deferred revenue	49,165	(504,023)
Reserve for uncollectable accounts	1,417,284	420,379
Total adjustment to reconcile net income to net cash	682,471	(2,250,655)
Net cash provided In operating activities	(1,881,887)	(1,968,041)
<b>Cash flows from investing activities:</b>		
<i>Increase (Decrease) in:</i>		
Cost basis investments	409,502	(50,000)
Acquisition of property, plant and equipment	(179,000)	(388,897)
Acquisition of intangible assets	79,912	(5,054)
Net cash received in investing activities	310,414	(443,951)
<b>Cash Flows From Financing Activities:</b>		
Borrowing from related party, net	646,427	313,354
Notes Payable	91,365	-
Proceeds from Issuance of Stock, Net	702,028	1,143,927
Net Cash Provided By Financing Activities	1,439,820	1,457,281
Net Change in Cash	(131,653)	(954,711)
Cash at Beginning of Year	511,950	1,634,662
Cash at End of Period	\$ 380,297	\$ 679,951
<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>		
OBITX proceeds from issuance of stock	\$ -	\$ 275,650
Stock issued for cannabis licenses in California	\$ 292,500	-
Stock issued for purchase of CBJ Distributing	\$ 3,043,537	\$ -
Stock issued for land acquisition in California	\$ 67,500	\$ -

See accompanying notes to unaudited consolidated financial statements.

**mCig, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

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

The accompanying consolidated audited financial statements of mCig, Inc., (the “Company”, “we”, “our”), 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”).

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). All significant intercompany accounts and transactions have been eliminated.

The consolidated financial statements include the accounts of the Company and its subsidiaries:

- Agri-Contractors, LLC (“AGRI”)
- CAAcres, Inc., (“CAAcres”) – 80% ownership
- CA Acres Foundation (FKA NewCo2, Inc.) (“CALF”) – 80% ownership
- Grow Contractors Inc., (“GROW”)
- mCig Internet Sales, Inc., (“MINT”)
- NYAcres, Inc., (“NYAcres”)
- OBITX, Inc., (FKA GigeTech, Inc.) (“GIGE”) – 53% ownership and 95% voting control
- Tuero Asset Management, Inc. (“TAMI”)
- Vapolution, Inc., (“VAPO”)
- VitaCig, Inc., (“VITA”)
- CBJ Distributing (“CBJ”) – 80% ownership

**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.

The Company initially earned revenue through wholesale and retail sales of electronic cigarettes, vaporizers, and accessories in the United States. It offered electronic cigarettes and related products through its online store at [www.mcig.org](http://www.mcig.org), as well as through the company’s wholesale, distributor, and retail programs. We expanded operations to include the VitaCig brand in 2014.

The Company has been involved in the marijuana and cannabinoid (CBD), and electronic cigarette industries. It currently markets, sales, services, and distributes cannabis wholesale supplies, CBD products, software, and electronic cigarettes, vaporizers, and accessories internationally and in the United States.

In FY2015 we began offering hemp based cannabinoid (“CBD”) products through various websites and wholesale distribution. In 2016 the Company expanded its products and services to include construction . In 2017 we added consulting services in the cannabis industry. In addition, we launched a social media platform, 420Cloud, in the cannabis markets. The Company continues to look at strategic acquisitions and product and service developments for future growth. We are currently incubating a cannabis supply company.

In 2018 we added agriculture by planting a 40 acres lot in New York state to grow Hemp. In addition, we acquired approximately two acres of land in California City, California and obtained three cannabis licenses (cultivating, manufacturing, and distribution of cannabis products in California).

During this fiscal year, we operated approximately 15 different websites (which are not incorporated as part of this Form 10K report). The corporate website is located at [www.mciggroup.com](http://www.mciggroup.com).

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**Subsidiaries of the Company**

The Company currently operates, in addition to mCig, Inc., the following subsidiaries which are consolidated:

***Agri-Contractors, LLC***

On November 18, 2016 we acquired, through a Purchase Agreement, Agri-Contractors, LLC. We combined the operations of Agri-

Contractors with Grow Contractors Corp and expanded the services to include consulting. We merged the operations of Agri-Contractors, LLC with Grow Contractors in December 2016. Agri-Contractors, LLC provides consulting services to grow facilities, production companies, and dispensaries servicing the cannabis medical and recreational markets.

#### ***CAAces, Inc.***

CAAces, Inc., (“CAAces”) was incorporated on May 10, 2018 under the laws of the state of California. CAAces was created to participate in the Joint Venture with Cal Foundation for the cultivation, manufacturing, and distribution of cannabis products within the state of California. CAAces is an agriculture venture for the cultivation, manufacturing and distribution of cannabis products. We are currently assessing the requirements for the build out of the land acquired in California City, California for this project.

#### ***CAL Foundation (FKA Newco2, Inc)***

NewCo2, Inc., was created on January 19, 2018 as a California not-for-profit company. We own 80% of the not-for-profit business. NewCo2, Inc., maintains three cannabis licenses in the State of California. On August 6, 2018 the name was changed to Cal Acres Foundation, Inc.

#### ***CBJ Distributing, LLC***

On June 30, 2018 the company elected to exercise its option to acquired Cannabiz Supply with an effective date of May 1, 2018. The purchase price was \$3,457,796.

#### ***Grow Contractors Inc***

The Company incorporated Grow Contractors Inc., on December 5, 2016. Grow Contractors Inc, operates the construction and consulting segment. On November 18, 2016, the Company purchased Agri-Contractors, LLC and assigned the Grow Contractors name and website to Grow Contractors Inc. Grow Contractors Inc., is a wholly owned subsidiary of the Company.

#### ***mCig Internet Sales, Inc.***

On June 1, 2016, the Company incorporated mCig Internet Sales, Inc., (“mCig Internet”) in the state of Florida in order to operate our CBD business and to consolidate all wholesale and online retail sales from various websites. mCig Internet is a wholly owned subsidiary of the Company.

#### ***mCig Limited***

We incorporated in May 2017 to provide corporate oversight to MCIG, and its subsidiaries, operations within the European theatre. mCig Limited., was incorporated in the United Kingdom. mCig Limited , is a wholly owned subsidiary of the Company.

#### ***NYAces, Inc.***

NYAces, Inc., (“NYAces”) was incorporated on November 20, 2017 under the laws of the state of New York. NYAces was created to participate in the Joint Venture NYAces with FarmOn! Foundation. The joint venture is an agriculture venture for the planting and growing of industrial hemp.

#### ***OBITX, Inc.***

We incorporated GigETech, Inc., in the state of Delaware on April 3, 2017. We then assigned our newly acquired social media platform software to GigETech. We launched the social media platform on April 20, 2017. GigETech, Inc., subsequently changed its name to OBITX, Inc. Currently we have approximately 95% voting control and 53% ownership on a fully diluted basis of OBITX. OBITX has an effective registration statement filed with the SEC and intends to begin trading its common stock in the open market.

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#### ***Omni Health, Inc., (FKA - VitaCig, Inc.)***

On February 24, 2014, the Company entered into a Contribution Agreement with Omni Health, Inc (“OMHE”). In accordance with this agreement, OMHE accepted the contribution by mCig, Inc. of specific assets consisting solely of pending trademarks for the term “VitaCig” filed with the USPTO and \$500 in cash as contribution in exchange for 500,135,000 shares of common capital stock representing 100% of the shares outstanding of OMHE.

On November 28, 2014, mCig completed the spin-off of OMHE (the “Spin-off”). Effective as of 11:59 p.m., New York City time, on November 28, 2014 (the “Distribution Date”), the Company distributed 270,135,000 shares of common stock of OMHE, par value \$0.0001 per share (“OMHE Common Stock”), to holders of mCig’s stockholders of record as a pro rata dividend. The record date for the dividend was November 28, 2014. The Ex-Dividend Date was set for November 25, 2014. mCig stockholders received one share of OMHE Common Stock for every share of common stock, par value \$0.0001 per share, of mCig. The Spin-off was completed for the purpose of legally

and structurally separating OMHE from mCig. MCig retained 230,000,000 shares of common stock and remains a shareholder. The shares of common stock to be received by mCig shareholders were registered on a Form S-1 filed by OMHE and declared effective by the Securities and Exchange Commission on November 5, 2014.

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

Omni Health, Inc., a Nevada Corporation, is a public company trading under OMHE.

#### ***Tuero Asset Management, Inc.***

We incorporated Tuero Asset Management, Inc., in which to manage all our intellectual and intangible assets.

#### ***Tuero Capital, Inc.***

We incorporated in May 2017 to provide financial services to our clients. Tuero Capital provides financial services and consulting to cannabis and cryptocurrency markets. On August 15, 2018 the Company became a minority owner of Tuero Capital when Tuero Capital issued 10,500,000 common shares of stock to 59 investors. Tuero Capital, Inc., became Redfern BioSystems, Inc (“Redfern”). The Company currently owns 15.3% of Redfern. See Related Party Transactions for further information.

#### ***Vapolution, Inc.***

On January 23, 2014, the Company entered into a Stock Purchase Agreement acquiring 100% ownership in Vapolution, Inc., which manufactures and retails home-use vaporizers. As part of this transaction, mCig, Inc. issued 5,000,000 common shares to shareholders of Vapolution, Inc. in two separate payments of 2,500,000 common shares. The shareholders of Vapolution, Inc. retained the right to rescind the transaction, which expired on January 23, 2015 but was extended to May 23, 2015. Subsequently, on August 25, 2015, the final payment to the shareholders of Vapolution as extended to September 30, 2015 and the right to rescind the transaction was extended to June 30, 2017. On April 30, 2015 the Company impaired the \$625,000 initial investment into Vapolution, Inc., but maintains the \$67,500 investment on its balance sheet for the second payment.

On January 23, 2014, Paul Rosenberg, CEO of mCig, Inc. cancelled an equal amount (2,500,000 shares) of common shares owned by him resulting in a net non-dilutive transaction to existing mCig, Inc. shareholders. The remaining 2,500,000 of common shares owned by Paul Rosenberg were cancelled to offset the 2,500,000 new shares issued from the treasury to complete the purchase of Vapolution, Inc.

On January 17, 2017 the Company entered into a settlement agreement with the previous owners of Vapolution, Inc., whereby they returned to the Company 1,700,000 shares of MCIG common stock, \$961 in cash, and \$40,541 in inventory. Prior to this, Vapolution was not incorporated in to the consolidated financial statements of the Company. Effective January 17, 2017 we began consolidating Vapolution with the Company’s financial reports. Vapolution, Inc., is wholly owned by mCig, Inc.

#### ***VitaCig, Inc.***

On May 26, 2016 we incorporated VitaCig, Inc., (“VitaCig”) in the state of Florida. VitaCig headquarters our global e-cig operations. VitaCig, Inc., is a wholly owned subsidiary of the Company.

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## **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 AGRI, GROW, MINT, MCIGL, NYACRES, TAMI, VAPO, and VITA. We have also consolidated our subsidiaries in which we have controlling interest. The subsidiaries in which we have a controlling interest include CAACRES, CALF, CBJ, and GIGE. Significant intercompany balances and transactions have been eliminated.

### **Concentration of Credit Risk and Significant Customers**

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its temporary cash investments with financial institutions insured by the FDIC.

Concentrations of credit risk with respect to trade receivables are limited due to the diverse group of customers to whom the Company sells. The Company establishes an allowance for doubtful accounts when events and circumstances regarding the collectability of its receivables warrant based upon factors such as the credit risk of specific customers, historical trends, other information and past bad debt history. The outstanding balances are stated net of an allowance for doubtful accounts.

For the 3 months ended January 31, 2019, the Company had no significant customer that represented more than 5% of its sales.



On May 1, 2018, we adopted Topic 606, using the modified retrospective transition method applied to those contracts which were not completed as of February 1, 2018. Results for reporting periods beginning after February 1, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with our historic accounting. The impact of adopting the new revenue standard was not material to our financial statements and there was no adjustment to beginning retained earnings on February 1, 2018.

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

### 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:

Business Segments by Company/Subsidiary	
Segment	Subsidiary
Cultivation, Manufacturing, and Distribution	Agri-Contractors, LLC Grow Contractors, Inc. CBJ Distributing, LLC
Retail Sales	mCig Internet Sales, Inc Vapolution, Inc. VitaCig, Inc.
Media and Technologies	OBITX, Inc. Haute Job, LLC Campaign Pigeon, LLC
Agriculture	CAL Foundation CAAcres, Inc. NYAcres, Inc.
Corporate	mCig, Inc. mCig Limited Tuero Asset Management, Inc.

We record segments as i) cultivation, manufacturing, and distribution (CMD), ii) retail sales, iii) media and technologies, iv) agriculture, and v) corporate. We report our financial performance based on our segments described in Note 8 – Segment Information.

	Business Segments					
	Total Revenue			Percentage of Total Revenue		
	Three months ended January 31,			The three months ended January 31,		
	2019	2018	2017	2019	2018	2017
CMD	\$ -	118,195	\$ 1,090,982	0.0%	15.1%	80.1%
Retail Sales	754,114	586,140	271,707	98.8%	75.1%	19.9%
Media and Technologies	8,970	75,906	-	1.2%	9.7%	0.0%
Agriculture	-	-	-	0.0%	0.0%	0.0%
Corporate	-	-	-	0.0%	0.0%	0.0%
Total	\$ 763,084	780,241	\$ 1,362,689	100.0%	100.0%	100.0%

Business Segments					
Total Revenue			Percentage of Total Revenue		

	Nine months ended January 31,			The nine months ended January 31,		
	2019	2018	2017	2019	2018	2017
CMD	\$ 70,000	3,112,545	\$ 1,340,844	3.6%	51.8%	59.9%
Retail Sales	1,816,188	1,551,651	896,561	93.5%	25.8%	40.1%
Media and Technologies	55,290	1,342,056	-	2.9%	22.3%	0.0%
Agriculture	-	-	-	0.0%	0.0%	0.0%
Corporate	-	-	-	0.0%	0.0%	0.0%
Total	\$ 1,941,478	6,006,252	\$ 2,237,405	100.0%	100.0%	100.0%

### Inventory

In accordance with *ASU 2015-11 – Inventory (Topic 330) – Simplifying the Measurement of Inventory*, the Company's 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.

As of January 31, 2019, the Company had no allowance for obsolescence. The level of inventory maintained by the Company is insignificant and is typically ordered on an as needed basis, or just-in-time.

### Property, Plant, and Equipment

Property, plant and equipment ("PPE") are stated at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to expense as incurred. Additions, improvements and major replacements that extend the life of the asset are capitalized.

Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of depreciable assets, which are generally three to five years.

### Accounts Receivable

The Company's accounts receivable in its construction and retail segments. As the retail division is either paid through credit card processing and prepaid wholesale purchases, the Company projects insignificant amounts of outstanding accounts receivable for its retail division. The Company recognizes receipt of payment at the time the funds are deposited with the merchant services account of the Company. When the merchant services vendor determines to maintain a reserve for potential refunds and chargebacks, the Company reviews the reserve, to i) determine if the reserve is probably uncollectible, and ii) if a loss is probable, a reasonable estimate of the amount of the loss. We then allocate a portion of the reserve for bad debt, in accordance with *FASB ASC 450-20-25-2*. Once the vendor releases the funds, the bad debt reserve is appropriately reversed. The Company recognized \$2,003,844 and \$0 as an uncollectable reserve for the three months ending January 31, 2019 and January 31, 2018, respectively.

### Intangible Assets

The Company's intangible assets consist of certain website development costs that is amortized over their useful life in accordance with the guidelines of *ASC 350-30 General Intangible Other than Goodwill* and *ASC 350-50 Website Development Costs*.

### Basic and Diluted Net Loss Per Share

The Company follows *ASC Topic 260 – Earnings Per Share*, and *FASB 2015-06, Earnings Per Share* 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 year. 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.

Basic net earnings (loss) per common share are computed by dividing the net earnings (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed using the weighted average number of common and dilutive common stock equivalent shares outstanding during the period. Dilutive common stock equivalent shares consist of Series A convertible preferred stock, convertible debentures, stock options and warrant common stock equivalent shares.

### 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 our e-cig products. 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 \$2,003,844 and \$0 in excess of federally insured limits at January 31, 2019 and 2018.

### 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 nine months ended January 31, 2019 and 2018 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 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. Property, Plant and Equipment

The following is a detail of equipment at January 31, 2019 and April 30, 2018:

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<b>Property, Plant, and Equipment</b>			
	As of		As of
	January 31, 2019		April 30, 2018
Office furniture	\$	29,090	\$ 29,090
Rollies machine		5,066	5,066
Computer equipment		1,544	1,544
420 Cloud		3,129,412	3,127,251
ATM Machines		-	299,970
Farm equipment		30,765	-
Warehouse equipment		57,622	-
Land		292,500	-
Total acquisition cost	\$	3,545,999	\$ 3,462,921
Accumulated depreciation		706,780	324,902
Total property, plant, and equipment	\$	2,839,219	\$ 3,138,019

Depreciation expense on property, plant and equipment was \$381,876 and \$199,725 for the nine months ended January 31, 2019 and 2018, respectively.

### Note 5: Work in Progress

The Company reports its agriculture crop growth as work-in-progress until such time as the crop has been harvested and either sold or utilized by the Company.

<b>Work in Progress Overview</b>			
	As of		As of
	January 31, 2019		April 30, 2018
	Agriculture		
Product (seeds)	\$	60,000	\$ -
Labor		272,139	30,000
Materials and supplies		118,147	34,865
Site Development		21,605	-
Total work in progress	\$	471,891	\$ 64,865

### Note 6: Inventory

Inventory is primarily held in retail sales. We maintain a small inventory of seeds in our agriculture segment. In addition, we currently hold 62 ATM machines held for sale within the next 12 months.

### Inventory

	As of		As of	
	January 31, 2019		April 30, 2018	
Retail Sales	\$	480,463	\$	38,714
Agriculture		24,450		23,963
Assets held for sale		408,166		-
Total inventory	\$	913,079	\$	62,677

#### Note 7: Accounts Receivable

The Company's accounts receivable is primarily from its direct customers. From its direct customers, we have \$559,145 in cultivation, manufacturing, and distribution in revenue; \$1,250,000 from its tech and media segment, with the remaining amount from its retail sales not through credit card processing.

In addition to cash receipts, we utilize high risks credit card processing companies. Vendors tasked with accepting all credit card payments for purchases from its customers, are typically held in escrow for potential chargebacks. As traditional credit card processing is unavailable in the cannabis markets, we utilize services that require greater holding periods and higher retention requirements.

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While the Company expects these receivables to be fully collectible it has created an allowance for doubtful accounts for the period. As of January 31, 2019, we have \$416,746 in accounts receivable from our retail customers, of which \$27,462 is currently due from our high-risk merchant services provider.

The Company maintains subscription receivables of \$42,500 for the exercise of warrants and options. The funds were not received prior to the filing of this report and as such are not incorporated in the balance sheet statement. A complete breakdown of the accounts receivable and subscriptions receivable is as follows:

Accounts Receivable				
	As of		As of	
	January 31, 2018		April 30, 2018	
A/R from credit card reserve	\$	27,462	\$	28,431
A/R from direct customers		2,402,101		2,061,352
Subscription receivables		42,500		186,784
Allowance for bad debt		(2,003,844)		-
Subscription receivable not received by time of filing		(42,500)		(117,300)
Total Accounts Receivable	\$	425,719	\$	2,159,267

We have created a reserve for uncollectable accounts in the amount of \$2,003,844.

#### Note 8. Intangible Assets:

Prior fiscal years we tracked finite lived Intangible Assets and infinite lived Intangible Assets. Effective May 1, 2018 we have elected to track all intangible assets as finite lived Intangible Assets and amortize according to a three years life cycle. The following reflects our intangible assets:

Intangible Assets				
	As of		As of	
	January 31, 2019		April 30, 2018	
Domains	\$	365,847	\$	363,348
Trademarks		455,860		455,637
Website		30,491		41,760
VitaCBD		200,000		200,000
Total acquisition cost	\$	1,052,198	\$	1,060,745
Less: Amortization		(423,572)		(225,649)
Adjustment for sale of asset		(73,540)		-
Current Intangible Assets	\$	555,086	\$	835,096

#### Note 9. Cost Basis Investments

<b>Cost Basis Investments</b>				
	As of January 31, 2019		As of April 30, 2018	
Stony Hill Corp	\$	700,000	\$	700,000
Omni Health, Inc		152,023		152,023
CBJ Distributing Option		-		50,000
New York Hemp Pilot Program		50,000		50,000
California City Cannabis Licenses		225,585		15,585
CBJ Distributing		2,966,029		-
Agri-Contractors, LLC		160,008		-
Redfern BioSystems, Inc.		9,949		
<b>Total acquisition cost</b>	<b>\$</b>	<b>4,263,594</b>	<b>\$</b>	<b>967,608</b>

**Note 10. Business Segments:**

The Company operates primarily in five segments; i) cultivation, manufacturing, and distribution, ii) retail sales, iii) technology, iv) agriculture, and v) corporate. This summary reflects the Company's current segments, as described below.

Information concerning the revenues and operating income (loss) for the three and nine months ended January 31, 2019 and 2018, and the identifiable assets for the segments in which the Company operates are shown in the following table:

**Business Segments**

<b>For the three months ended January 31, 2019</b>	<b>CMD</b>	<b>Retail</b>	<b>Technology</b>	<b>Agriculture</b>	<b>Corporate</b>	<b>Total</b>
Revenue	\$ -	\$ 754,114	\$ 8,970	\$ -	\$ -	\$ 763,084
Segment Income (Loss) from Operations	(54,407)	208,617	(1,436,719)	(44,261)	(140,518)	(1,467,288)
Total Assets	641,294	978,299	4,113,713	(79,385)	4,363,153	10,017,074
Capital Expenditures	-	72,636	312	-	-	72,948
Depreciation and Amortization	2,070	21,316	121,805	2,067	43,077	190,335

<b>For the three months ended January 31, 2018</b>	<b>CMD</b>	<b>Retail</b>	<b>Technology</b>	<b>Agriculture</b>	<b>Corporate</b>	<b>Total</b>
Revenue	\$ 118,195	\$ 586,140	\$ 75,906	\$ -	\$ -	\$ 780,241
Segment Income from Operations	(10,593)	29,532	(78,462)	(28,876)	(366,166)	(454,565)
Total Assets	785,985	410,491	4,717,014	(28,886)	2,245,486	8,130,090
Capital Expenditures	15,714	225	5,689	55,408	(3,076,467)	(2,999,431)
Depreciation and Amortization	130	271	115,495	-	10,180	126,076

**Business Segments**

<b>For the nine months ended January 31, 2019</b>	<b>CMD</b>	<b>Retail</b>	<b>Technology</b>	<b>Agriculture</b>	<b>Corporate</b>	<b>Total</b>
Revenue	\$ 70,000	\$ 1,816,188	46,320	\$ -	\$ -	\$ 1,941,478
Segment Income (Loss) from Operations	(286,002)	341,126	(1,929,462)	(243,902)	(454,857)	(2,564,346)
Total Assets	641,294	978,299	4,113,713	(79,385)	4,363,153	10,017,074
Capital Expenditures	-	72,636	277,966	(503,554)	(232,470)	(385,422)
Depreciation and Amortization	6,211	75,243	365,312	6,201	129,231	582,198

<b>For the nine months ended January 31, 2018</b>	<b>CMD</b>	<b>Retail</b>	<b>Technology</b>	<b>Agriculture</b>	<b>Corporate</b>	<b>Total</b>
Revenue	\$ 3,112,545	\$ 1,551,651	\$ 1,342,056	\$ -	\$ -	\$ 6,006,252
Segment Income from Operations	180,186	138,303	766,473	(28,876)	(694,752)	361,334
Total Assets	785,335	414,939	4,670,214	-	2,241,464	8,111,952
Capital Expenditures	15,714	225	256,089	55,408	(3,076,467)	(2,749,031)
Depreciation and Amortization	389	813	199,455	-	30,270	230,927

**Note 11. 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 and nine months ended January 31, 2019 and January 31, 2018, respectively.

The following table is a reconciliation of the EBITDA and Adjusted Net Income (non-GAAP measures) to the Net Income with the GAAP Consolidated Statements of Operation for the three and nine months ended January 31, 2019 and 2018, respectively.

<i>mCig, Inc.</i>				
<i>and SUBSIDIARIES</i>				
<i>Adjusted Consolidated Statements of Operations</i>				
<i>(unaudited)</i>				
	For the three months Ending January 31,		For the nine months Ending January 31,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sales	\$ 763,084	\$ 780,241	\$ 1,941,478	\$ 6,006,252
Total Cost of Sales	389,036	468,326	1,317,221	4,073,307
Gross Profit	374,048	311,915	624,257	1,932,945
Selling, general, and administrative	144,830	84,033	383,041	241,786
Professional Fees	27,635	65,043	114,984	106,056
Marketing & Advertising	40,098	13,345	60,487	25,503
Consultant Fees	142,495	430,092	632,682	962,209
Total Operating Expenses	355,058	592,513	1,191,194	1,335,554
Income (Loss) From Operations	18,990	(280,598)	(566,937)	597,391
Other Income (Expense)	-	-	17	-
Net Loss Before Non-Controlling Interest	18,990	(280,598)	(566,920)	597,391
Loss Attributable to Non-Controlling Interest	(6,282)	-	(121,300)	-
Net Income (Loss) Attributable to Controlling Interest	<u>\$ 25,272</u>	<u>\$ (280,598)</u>	<u>\$ (445,620)</u>	<u>\$ 597,391</u>
Basic and Diluted (Loss) Per Share:				
Income(Loss) per share from Continuing Operations	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Income(Loss) Per Share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Weighted Average Shares Outstanding - Basic and Diluted	<u>480,262,805</u>	<u>392,843,133</u>	<u>493,439,072</u>	<u>392,843,133</u>

See accompanying notes to unaudited consolidated financial statements.

<b>Adjusted Net Income Reconciliation</b>				
	For the 3 months ended January 31,		For the nine months ended January 31,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
CONSOLIDATED				

STATEMENT of  
OPERATIONS:

Net Income (Loss)	\$ (728,436)	\$ (457,770)	\$ (1,591,652)	\$ 356,036
Interest	-	-	17	-
Depreciation and Amortization	190,335	126,076	582,198	230,923
EBITDA	\$ (538,101)	\$ (328,694)	\$ (1,003,797)	\$ 583,962
Stock Based Compensation	-	233,500	28,990	278,750
Gains not in ordinary course of business	562,731	-	413,527	-
Gains attributable to non-controlling interest	6,282	-	121,300	-
Adjusted net income	\$ 25,272	\$ (95,194)	\$ (445,620)	\$ 862,712

**Note 12. Acquisition**

On May 1, 2018, the Company exercised its option to acquire CBJ Distributing, LLC. The Company acquired all cash, inventory, prepaid expenses, inventory, fixed assets, and intellectual property for a total of \$3,578,861. The Company issued \$3,388,078 in MCIG stock at the rate of \$0.29 per share and paid \$190,783 in cash through reduction of loans, option price, and accounts receivable owed by CBJ Distributing to the Company. As a condition to this acquisition, the Company entered into Employment Agreements with Charlie Fox and Alex Levitsky.

In accordance to rule, the following table reflects the determination of the purchase price of the CBJ Distributing, LLC business:

<b>Acquisition of CBJ Distributing</b>	
Cash	\$ 112,557
Accounts Receivable	158,064
Prepaid Expenses	3,840
Inventory	385,379
Fixed Assets	47,758
Total assets acquired	\$ 707,598
Current Liabilities	\$ 94,226
Total liabilities assumed	\$ 94,226
<b>Total Purchase Price</b>	
Stock issued as part of acquisition (11,293,593)	\$ 3,388,078
Reduction of Loan Receivable	1,529
Reduction of Accounts Receivable	139,254
Conversion of stock option	50,000
Total Purchase Price	\$ 3,578,861
Total assets acquired	(707,598)
Total liabilities assumed	94,226
Gains in assets	540
Investment into CBJ Distributing	\$ 2,966,029

**Note 13. Sale of Asset**

On September 15, 2018 the Company sold the domain name www.cbd.biz to Redfern BioSystems, Inc., for \$90,000. The following chart represents that sale transaction.

<b>Sale of CBD.BIZ</b>	
Notes receivable	100,000
Income for financing	(10,000)
Total sales price	\$ 90,000
Domain name acquisition cost	82,500
Accumulated amortization	(11,458)
Total reductions from sales price	71,042
Gain on asset	\$ 18,958

The Company entered into a secured convertible promissory note with Redfern. The note is due on September 14, 2019. Should Redfern default the Company may convert the secured promissory note into 40 million common shares of the Redfern representing approximately 75% of the business. Should the Company not elect to convert in the event of nonpayment by Redfern, the Company may take possession of the domain www.cbd.biz and its business operations.

#### **Note 14. Related Parties and Related Party Transactions**

The Company entered a Line of Credit with Paul Rosenberg (see Subsequent Events) for up to \$100,000 in funding on May 1, 2016. Throughout the years we have increased the line of credit multiple times. As of January 31, 2019, the Company owed Mr. Rosenberg \$1,157,271.

#### **Note 15. Stockholders' Equity**

##### **Common Stock**

As of January 31, 2019, the Company was authorized to issue 560,000,000 common shares at a par value of \$0.0001. As of January 31, 2019, the Company had issued and outstanding 516,974,596 common shares.

##### **Preferred Stock**

The Company has authorized 50,000,000 shares of preferred stock, of which it has designated 23,000,000 as Series A Preferred, at \$0.0001 par value. The Company has 4,350,000 issued and outstanding as of January 31, 2019. During the three months ended the Company issued 1,000,000 shares of Series A Preferred stock in exchange for \$200,000. 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.

#### **Note 16. Subsequent Events**

There are no reportable subsequent events.

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## **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, 2018.*

*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.*

### **HISTORY AND BACKGROUND**

We were incorporated in the State of Nevada on December 30, 2010 originally under the name Lifetech Industries, Inc. All agreements related to the Lifetech business were terminated and closed as of April 30, 2014. Effective August 2, 2013, the name was changed from "Lifetech Industries, Inc." to "mCig, Inc." The Company's common stock is traded under the symbol "MCIG." The Company is based in Jacksonville, Florida.

mCig acts as a holding company that operates 10 subsidiaries. In FY2017 we began tracking income through segments. In FY2018 the company tracks its services and products through four segments and corporate. We will track our financial records going forward by the following segments:

- Cultivation, Manufacturing and Distribution ("CMD")
- Retail Sales
- Media and Technologies
- Agriculture
- Corporate

### **GENERAL**

Originally, we were formed to open and operate a full-service day spa in Montrose, California. In October 2013 we repositioned ourselves



as a technology company focused on two long-term secular trends sweeping the globe: (1) The decriminalization and legalization of marijuana for medicinal or recreational purposes; and, (2) the adoption of electronic vaporizing cigarettes (commonly known as “eCigs”).

The Company initially earned revenue through wholesale and retail sales of electronic cigarettes, vaporizers, and accessories in the United States. It offered electronic cigarettes and related products through its online store at [www.mcig.org](http://www.mcig.org), as well as through the company’s wholesale, distributor, and retail programs. We expanded operations to include the VitaCig brand in 2014.

In FY2015 we began offering hemp-based cannabinoid (“CBD”) products through various websites.

In 2016 the Company expanded its products and services to include construction.

In 2017 we added consulting services in the cannabis industry. In addition, we launched a social media platform, 420Cloud, in the cannabis markets.

In 2018 we added agriculture by planting a 40-acre lot in New York state to grow Hemp. In addition, we acquired approximately two acres of land in California City, California and obtained three cannabis licenses (cultivating, manufacturing, and distribution of cannabis products in California).

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In addition, the Company continues to look at strategic acquisitions in product and service developments for future growth. Subsequent to this reporting date, but prior to the filing of this annual report, we acquired a cannabis supply company in Nevada.

During this fiscal year, we operated multiple websites (which are not incorporated as part of this Form 10K report). The Company’s primary website is [www.mciggroup.com](http://www.mciggroup.com)

## **MARIJUANA INDUSTRY OVERVIEW**

As of April 2017, there are a total of 29 states, plus the District of Columbia, with legislation passed as it relates to the legalization of medicinal and/or recreational cannabis. These state laws are in direct conflict with the United States Federal Controlled Substances Act (21 U.S.C. § 811) (“CSA”), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug, which is viewed as having a high potential for abuse, has no currently-accepted use for medical treatment in the U.S., and lacks acceptable safety for use under medical supervision.

These 29 states, plus the District of Columbia, have adopted laws that either legalize cannabis for adult recreational use or legalize cannabis for adult patients under a physician’s supervision. These are collectively referred to as the states that have de-criminalized recreational and/or medicinal cannabis, although there is a subtle difference between de-criminalization and legalization, and each state’s laws are different.

Medical cannabis decriminalization is generally referred to as the removal of all criminal penalties for the private possession and use of cannabis by adults, including cultivation for personal use and casual, nonprofit transfers of small amounts. Legalization is generally referred to as the development of a legally controlled market for cannabis, where consumers purchase from a safe, legal, and regulated source.

The dichotomy between federal and state laws has also limited the access to banking and other financial services by marijuana businesses. The U.S. Department of Justice and the U.S. Department of Treasury issued guidance for banks considering conducting business with marijuana dispensaries in states where those businesses are legal, pursuant to which banks must now file a Marijuana Limited Suspicious Activity Report that states the marijuana business is following the government’s guidelines with regard to revenue that is generated exclusively from legal sales. However, since the same guidance noted that banks could still face prosecution if they provide financial services to marijuana businesses, it has led to the widespread refusal of the banking industry to offer banking services to marijuana businesses operating within state and local laws.

In November 2016, California and Nevada voters both approved cannabis use for adults over the age of 21 without a doctor’s prescription or recommendation, so called recreational marijuana, and permitted the cultivation and sale of marijuana, in each case subject to certain limitations. We intend to seek to obtain the necessary permits and licenses to expand our existing business to cultivate and distribute marijuana in compliance with these laws, although there is no guarantee that we will be successful in doing so. Despite the changes in state laws, marijuana remains illegal under federal law.

## **E-CIG INDUSTRY OVERVIEW**

The global e-cigarette market is poised to grow over \$47 billion by 2025 at a double digit CAGR from 2015 to 2025.

### *United States*

In the United States, in 2016, the Food and Drug Administration (“FDA”) finalized a rule extending the regulatory authority to cover all tobacco products, including vaporizers, vape pens, hookah pens, electronic cigarettes (E-Cigarettes), e-pipes, and all other Electronic Nicotine Delivery Systems (“ENDS”). FDA now regulates the manufacture, import, packaging, labeling, advertising, promotion, sale, and distribution of ENDS. This includes components and parts of ENDS, but excludes accessories.

Under the new guidance, all companies that make, modify, mix, manufacture, fabricate, assemble, process, label, repack, relabel, or import any tobacco product are considered tobacco product manufacturers. Importers of finished tobacco products may be distributors and

manufacturers of tobacco products. Importers who do not own or operate a domestic establishment engaged in the manufacture, preparation, compounding or processing of a tobacco product are not required to register their establishment or provide product listing. However, they must comply with all other applicable tobacco product manufacturer requirements.

Recent statements by FDA have begun to clear up the U.S. federal agency's position on nicotine free e-liquids and synthetic nicotine. According to court statements made by the FDA, some devices that truly contain no nicotine (or only synthetic nicotine) may not be subject to the deeming regulations, depending on the circumstances in which they are likely to be used. Some disposable, closed-system devices with zero-nicotine or synthetic nicotine e-liquids may also escape regulation as tobacco products if they meet certain further criteria. However, even if products currently fall outside the scope of the deeming rule, the FDA could choose to regulate them later.

A majority of our products fall into this category and we believe are exempt from FDA guidelines on electronic nicotine delivery systems.

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### ***International***

The international markets have been largely driven by a flurry of activities including Mergers and Acquisitions, Patent Warfare, and increasing customization in products among others. Moreover, the emergence of Vape shops is increasingly engaging more users through their wide variety of products and better assistance while shopping the desired products. However, various governments' proposals to levy hefty taxes on vaporizer products are emerging as a key challenge for the market. Also, compatibility issues and the unregulated manufacturing process in China are yet other restraining factors in the e-cigarette market.

While North America, with U.S. leading the way will dominate the market throughout the forecast period, APAC will be growing at the fastest CAGR, accounting for more than 27% of the global e-cigarette market value by 2025. Significant revenue flow will be observed in China and India.

More than 95% of our e-cig sales are international sales.

### **CANNABIDIOL (CBD) INDUSTRY OVERVIEW**

Cannabidiol (CBD) is one of over 100 cannabinoids, including tetrahydrocannabinol (THC), found in the cannabis plant. Unlike THC, CBD does not produce a euphoric psychoactive effect. CBD is used for a variety of health and wellness purposes, and is present in both marijuana and industrial hemp. It is estimated that the CBD market will grow to \$2.1 billion in consumer sales by 2020, with \$450 million of those sales coming from hemp-derived CBD - a 700% increase from 2016. In 2015, the market for consumer sales of hemp-derived CBD products was \$90 million, plus another \$112 million in marijuana-derived CBD products which were sold through dispensaries - bringing a total CBD market to \$202 million last year. In addition to the 29 states plus the District of Columbia that have legalized cannabis, 15 additional states have legalized CBD products.

Currently, the DEA classifies CBD as a Schedule I drug under the Controlled Substances Act. However, the release of a new CBD-based pharmaceutical known as Epidiolex in June of 2018, means that the DEA has until September 2018 to reclassify cannabis as either Schedule 2, 3, 4, or 5.

It is believed that the DEA's actions violate the clear Congressional intent of not only of the Farm Bill, which defines industrial hemp as distinct from 'marijuana' and legalizes its cultivation and processing under licensing programs in place in 31 states; but also further violate the Consolidated Appropriations Act of 2016, which specifically prohibited federal authorities from using funds to obstruct the "transportation, processing, sale, or use of industrial hemp within or outside the State in which the industrial hemp is grown or cultivated." Hence, the DEA may not require lawfully licensed hemp farmers or manufacturers in the U.S. to register for a permit to engage in interstate commerce of industrial hemp products.

To further cloud the market, the FDA has placed restrictions on claims made by CBD manufacturers and issued staunch warning for those who claim to provide product with health cures without proper documentation and clinical studies. As such, CBD products are intentionally light on details which make it difficult for consumers to know what to buy.

### **HEMP AGRICULTURE INDUSTRY OVERVIEW**

There are an estimated 25,000 products derived from hemp, that fall into nine submarkets: agriculture, textiles, recycling, automotive, furniture, food and beverages, paper, construction materials, and personal care.

The estimated total retail value of hemp products sold in the U.S. in 2016 was \$688 million, a 20% increase from the previous year. There is an average of 15% annual growth in U.S. retail sales from 2010-2015. China is the largest importer of raw and processed hemp fiber in the U.S. Canada is the predominant importer of hemp seed and oil cake.

### **DESCRIPTION OF SEGMENTS**

#### ***CMD Segment***

We provide consulting services dealing with the cultivation, manufacturing, and distribution of hemp and cannabis products. Our services include:

<b>Creation</b>	<b>Development</b>	<b>Operations</b>
Application Assistance	Application Support	Grow Training
Business Structure & Registration	Facility Layout & Design	Cultivation Methods
Business Plan	Equipment Selection	Retail Training
Market Research	Construction Management	Vendor Relations
Financial Modeling & Forecasting	Merchandising	Compliance Audits
Branding	Process Creation	Staffing Services
Investor Relations	Policies & Procedures	
Team Development		

### ***Retail Sales***

Our retail sales include all products through distribution and online. We offer products for resale in the following categories:

- E-Cig
- CBD products
- Supplies for cannabis distributors, growers, and dispensaries
- Vaporizers

### ***Media and Technologies Segment***

In 2017 we acquired 420Cloud and began operations under GigeTech, which later was changed to OBITX. We are currently in the process of an S-1 registration for the spinoff of this business. MCIG will retain control of the business after the effective spinoff. For purposes of this report, the Company has determined that OBITX is a variable interest entity (VIE).

We provide advertising services in the cannabis and cryptocurrency markets. In addition, we provide software solutions, website development, and other social media services.

### ***Agriculture***

We have planted our first 40-acres of industrial hemp under NYAcres, Inc. through a joint venture with FarmOn! Foundation. Through our partnership with FarmOn! Foundation we are participants in the New York state sanctioned agricultural pilot program.

In addition, we have recently acquired approximately 2 acres of land in California City, California where we have obtained three licenses in the cultivation, manufacturing, and distribution of cannabis through the CAL Foundation (formerly NEWCO2, Inc., a California not-for-profit). We have entered into a joint venture between CAL Foundation and CAAcres, Inc. for the development of the California City project.

## **DESCRIPTION OF SUBSIDIARIES**

### ***mCig Internet Sales, Inc.***

On June 1, 2016, the Company incorporated mCig Internet Sales, Inc., (“mCig Internet”) in the state of Florida in order to operate our CBD business and to consolidate all wholesale and online retail sales from various websites. mCig Internet is a wholly owned subsidiary of the Company.

### ***VitaCig, Inc.***

On May 26, 2016 we incorporated VitaCig, Inc., (“VitaCig”) in the state of Florida. VitaCig headquarters our global e-cig operations. VitaCig, Inc., is a wholly owned subsidiary of the Company.

### ***Grow Contractors Inc***

The Company incorporated Grow Contractors Inc., on December 5, 2016. Grow Contractors Inc, operates the construction and consulting segment. On November 18, 2016, the Company purchased Agri-Contractors, LLC and assigned the Grow Contractors name and website to Grow Contractors Inc. Grow Contractors Inc., is a wholly owned subsidiary of the Company.

We incorporated in May 2017 to provide corporate oversight to MCIG, and its subsidiaries, operations within the European theatre. mCig Limited, was incorporated in the United Kingdom. mCig Limited, is a wholly owned subsidiary of the Company.

***Tuero Asset Management, Inc.***

We incorporated Tuero Asset Management, Inc., in which to manage all our intellectual and intangible assets.

***OBITX, Inc.***

We incorporated GigETech, Inc., in the state of Delaware on April 3, 2017. We then assigned our newly acquired social media platform software to GigETech. We launched the social media platform on April 20, 2017. GigETech, Inc., subsequently changed its name to OBITX, Inc. Currently we have approximately 95% voting control and 53% ownership on a fully diluted basis of OBITX. OBITX is currently filing an S-1 Registration statement to become an independent publicly traded company.

***NYAcres, Inc.***

NYAcres, Inc., (“NYAcres”) was incorporated on November 20, 2017 under the laws of the state of New York. NYAcres was created to participate in the Joint Venture NYAcres with FarmOn! Foundation. The joint venture is an agriculture venture for the planting and growing of industrial hemp.

***CAL Acres Foundation (FKA Newco2, Inc)***

Cal Foundation was created on January 19, 2018 as a California not-for-profit company. We own 80% of the not-for-profit business. Cal Foundation maintains three cannabis licenses in the State of California.

***CAAcrees, Inc.***

CAAcrees, Inc., (“CAAcrees”) was incorporated on May 10, 2018 under the laws of the state of California. CAAcrees was created to participate in the Joint Venture with Cal Foundation for the cultivation, manufacturing, and distribution of cannabis products within the state of California. CAAcrees is an agriculture venture for the cultivation, manufacturing and distribution of cannabis products. We are currently assessing the requirements for the build out of the land acquired in California City, California for this project.

***Vapolution, Inc.***

On January 23, 2014, the Company entered into a Stock Purchase Agreement acquiring 100% ownership in Vapolution, Inc., which manufactures and retails home-use vaporizers. As part of this transaction, mCig, Inc. issued 5,000,000 common shares to shareholders of Vapolution, Inc. in two separate payments of 2,500,000 common shares. The shareholders of Vapolution, Inc. retained the right to rescind the transaction, which expired on January 23, 2015 but was extended to May 23, 2015. Subsequently, on August 25, 2015, the final payment to the shareholders of Vapolution as extended to September 30, 2015 and the right to rescind the transaction was extended to June 30, 2017. On April 30, 2015 the Company impaired the \$625,000 initial investment into Vapolution, Inc., but maintains the \$67,500 investment on its balance sheet for the second payment.

On January 23, 2014, Paul Rosenberg, CEO of mCig, Inc. cancelled an equal amount (2,500,000 shares) of common shares owned by him resulting in a net non-dilutive transaction to existing mCig, Inc. shareholders. The remaining 2,500,000 of common shares owned by Paul Rosenberg were cancelled to offset the 2,500,000 new shares issued from the treasury to complete the purchase of Vapolution, Inc.

On January 17, 2017 the Company entered into a settlement agreement with the previous owners of Vapolution, Inc., whereby they returned to the Company 1,700,000 shares of MCIG common stock, \$961 in cash, and \$40,541 in inventory. Prior to this, Vapolution was not incorporated in to the consolidated financial statements of the Company. Effective January 17, 2017 we began consolidating Vapolution with the Company’s financial reports. Vapolution, Inc., is wholly owned by mCig, Inc.

***Agri-Contractors, LLC***

On November 18, 2016 we acquired, through a Purchase Agreement, Agri-Contractors, LLC. We combined the operations of Agri-Contractors with Grow Contractors Corp and expanded the services to include consulting. We merged the operations of Agri-Contractors, LLC with Grow Contractors in December 2016. Agri-Contractors, LLC provides consulting services to grow facilities, production companies, and dispensaries servicing the cannabis medical and recreational markets.

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***Cannabiz Supply, LLC***

On June 30, 2018 the company elected to exercise its option to acquired Cannabiz Supply with an effective date of May 1, 2018. The purchase price was \$3,457,796.

## 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.

### Results of Operations for the three months ended January 31, 2019

Our operating results for the three months ended January 31, 2019 and 2018 are summarized as follows:

	Three months ended January 31,	
	2019	2018
Sales	\$ 763,084	\$ 780,241
Cost of Sales	510,195	468,326
Gross Profit (Loss)	252,889	311,915
Total Operating Expenses	1,720,177	837,107
Other Income	1,541	-
Net Income (Loss) from Continuing Operations	(1,465,747)	(525,192)

#### Revenue

Our revenue from operations for the three months ended January 31, 2019 was \$763,084 compared to \$780,241, a decrease of \$17,157 from the three months ended January 31, 2018. This decrease is a result of a decrease in the construction segment of \$118,195 and the technology segment of \$66,936, with an increase in the retail segment of \$167,974 for the three months ended January 31, 2018.

#### Cost of Goods Sold

Our cost of goods sold for the three months ended January 31, 2019 was \$510,195 compared to \$468,326 for the three months ended January 31, 2018. The increase is primarily due to the increase in amortization of assets used as a cost of good.

#### Gross Profit

Our gross income for the three months ended January 31, 2019 was \$252,889 compared to a gross profit of \$311,915 for the three months ended January 31, 2018. The gross profit of \$252,889 for the three months ended January 31, 2019 represents approximately 33% as a percentage of total revenue. The gross profit of \$311,915 for the three months ended January 31, 2018 represents approximately 40% as a percentage of total revenue. This decrease in the gross profit is primarily attributed to the inclusion of amortization of assets directly associated with sales.

#### Operating Expenses

Our operating expenses increased by \$883,070 to \$1,720,177 for the three months ended January 31, 2019, from \$837,107 for the three months ended January 31, 2018.

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The increase was primarily due to the increases in bad debt of \$1,250,000, professional fees of \$8,535, selling, general, and administrative fees of \$60,797, marketing fees of \$26,753 and amortization and depreciation of \$58,595 offset by decreases in stock-based compensation of \$233,500, research and development of \$513, and consulting fees of \$287,597.

Our total operating expenses for the three months ended January 31, 2019 of \$1,720,177 consisted of \$144,830 of selling, general and administrative expenses, \$73,578 of professional fees, consulting expense of \$142,495, marketing fee of \$40,098, bad debt of \$1,250,000

and \$69,176 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)*

Our net loss of \$1,465,747 from operations for the three months ended January 31, 2019 from \$525,192 for the three months ending January 31, 2018 represents a deficit of \$940,555. The increase in net loss compared to the prior period is primarily a result of the gross profit decrease of \$59,026, and a increase in operating expenses of \$883,070 with an increase in other income of \$1,541.

#### **Results of Operations for the nine months ended January 31, 2019**

Our operating results for the nine months ended January 31, 2019 and 2018 are summarized as follows:

	Nine months ended January 31,	
	<b>2019</b>	<b>2018</b>
Sales	\$ 1,914,478	\$ 6,006,252
Cost of Sales	1,680,356	4,073,307
Gross Profit	261,122	1,933,024
Total Operating Expenses	2,834,219	1,650,410
Other Income	25,319	-
Net Income (Loss) from Continuing Operations	(2,547,778)	282,614

#### *Revenue*

Our revenue from operations for the nine months ended January 31, 2019 was \$1,914,478 compared to \$6,006,252, a decrease of \$4,064,774 from the nine months ended January 31, 2018. This decrease is a result of the construction segment, which has terminated its business operations with \$70,000 income for the nine months ended January 31, 2019 from \$3,112,545 for the nine months ended January 31, 2018. In addition, we had a \$1,286,766 decrease in revenue in media and technology for the nine months ended January 31, 2019 to \$55,290. Our retail sales increased to \$1,816,188 for the nine months ended January 31, 2019 from \$1,551,651 for the nine months ended January 31, 2018.

#### *Cost of Goods Sold*

Our cost of goods sold for the nine months ended January 31, 2019 was \$1,680,356 compared to \$4,073,307 for the nine months ended January 31, 2018. The decrease is primarily due to the decrease in construction projects.

#### *Gross Profit*

Our gross profit for the nine months ended January 31, 2019 was \$261,122 compared to \$1,933,024 for the nine months ended January 31, 2018. The gross profit of \$261,122 for the nine months ended January 31, 2019 represents 13% as a percentage of total revenue. The gross profit of \$1,933,024 for the nine months ended January 31, 2018 represents approximately 32% as a percentage of total revenue. This decrease in the gross profit is primarily attributed to the inclusion of amortization of assets directly associated with sales and the reduction of construction projects.

#### *Operating Expenses*

Our operating expenses increased by \$1,183,809 to \$2,834,219 for the nine months ended January 31, 2019, from \$1,650,410 for the nine months ended January 31, 2018.

The increase was primarily due to the increases in professional fees of \$153,900, selling, general, and administrative fees of \$141,255, marketing fees of \$34,984, bad debt of \$1,250,000 and amortization and depreciation of \$187,591, offset by decreases in stock based compensation of \$249,760 and consulting fees of \$329,527.

Our total operating expenses for the nine months ended January 31, 2019 of \$2,834,219 consisted of \$383,041 of selling, general and administrative expenses, \$259,956 of professional fees, consulting expense of \$632,682, marketing fees of \$60,487, bad debt of \$1,250,000, and \$363,135 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)*

Our net loss of \$2,547,778 for the nine months ended January 31, 2019 from a net income of \$282,614 for the nine months ended January 31, 2018 represents a deficit of \$2,830,392. The increase in net loss compared to the prior period net income is primarily a result of the gross profit decrease of \$1,671,902, and an increase in operating expenses of \$1,183,809 with an increase in other income of \$25,319.

## Liquidity and Capital Resources

### Introduction

During the nine months ended January 31, 2019 we utilized \$131,653 in cash. Our cash on hand as of January 31, 2019 was \$380,297.

### Cash Requirements

We had cash available of 380,297 as of January 31, 2019. Based on our revenues, cash on hand and current monthly burn rate, we believe that our operations are sufficient to fund operations through April 2019.

## Sources and Uses of Cash

### Operations

We used \$1,881,887 in cash by operating activities for the nine months ended January 31, 2019, as compared to \$1,968,041 for the nine months ended January 31, 2018.

Net cash used by operations consisted primarily of the net loss of \$2,564,358 offset by non-cash expenses of \$599,729 consisting of \$570,739 in depreciation and amortization of intangible assets and \$28,990 in stock-based compensation. Additionally, changes in assets and liabilities consisted of increases of \$320,164 in accounts receivable, accounts payable of \$359,653, prepaid expenses of \$66,112, deferred revenue of \$49,165, and reserve for uncollectable accounts of \$1,417,284, with offsets of other receivables of \$146,471, and inventory of \$1,342,837.

### Investments

We received \$310,414 in investing activities for the nine months ended January 31, 2019 compared to using \$443,951 for the nine months ended January 31, 2017. Our investing activities consisted primarily of investing in property, plant, and equipment of \$179,000, offset by \$409,502 in the sale of cost base investments and \$79,912 in the sale of intangible assets.

### Financing

We had net cash provided in financing activities of \$1,439,820 and \$1,457,281 for the nine months ended January 31, 2019 and 2018 respectively. Our financing activities consisted of increases in net proceeds from the issuance of stock of \$702,028, an increase of \$646,427 of advances made by a related party, and an increase in notes payable of \$91,365.

## Adjusted Results of Operations for the three months ended January 31, 2019

Our adjusted operating results for the three months ended January 31, 2019 and 2018 are summarized as follows:

	Three months ended January 31,	
	<u>2019</u>	<u>2018</u>
Sales	\$ 763,084	\$ 780,241
Cost of Sales	389,036	468,326
Gross Profit (Loss)	374,048	84,033
Total Operating Expenses	355,058	592,513
Net Income (Loss) from Continuing Operations	25,272	(280,598)

### Adjusted Revenue

Our adjusted revenue from operations for the three months ended January 31, 2019 was \$763,084 compared to \$780,241, a decrease of \$17,157 from the three months ended January 31, 2018. This decrease is a result of a decrease in the construction segment of \$118,195 and the technology segment of \$66,936, with an increase in the retail segment of \$167,974 for the three months ended January 31, 2018.

### *Adjusted Cost of Goods Sold*

Our adjusted cost of goods sold for the three months ended January 31, 2019 was \$389,036 compared to \$468,326 for the three months ended January 31, 2018. The decrease is primarily due to the increase in retail sales.

### *Adjusted Gross Profit*

Our adjusted gross income for the three months ended January 31, 2019 was \$374,048 compared to a gross profit of \$311,915 for the three months ended January 31, 2018. The adjusted gross profit of \$374,048 for the three months ended January 31, 2019 represents approximately 49% as a percentage of total revenue. The gross profit of \$311,915 for the three months ended January 31, 2018 represents approximately 40% as a percentage of total revenue. This increase in the adjusted gross profit is primarily attributed to the increase in retail sales which demonstrates a higher percentage of profitability.

### *Adjusted Operating Expenses*

Our adjusted operating expenses decreased by \$237,455 to \$355,058 for the three months ended January 31, 2019, from \$592,513 for the three months ended January 31, 2018.

The decrease was primarily due to decreases in professional fees of \$37,408, and consulting fees of \$287,597 offset by the increases in selling, general, and administrative fees of \$60,797, and marketing fees of \$26,753.

Our total operating expenses for the three months ended January 31, 2019 of \$355,058 consisted of \$144,830 of selling, general and administrative expenses, \$27,635 of professional fees, consulting expense of \$142,495, and marketing fee of \$40,098. 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)*

Our adjusted net income of \$25,272 from operations for the three months ended January 31, 2019 from an adjusted net loss of \$280,598 for the three months ending January 31, 2018 represents an increase of \$305,870. The increase compared to the prior period is primarily a result of the gross profit increase of \$62,133, and a decrease in operating expenses of \$237,455.

### **Adjusted Results of Operations for the nine months ended January 31, 2019**

Our adjusted operating results for the nine months ended January 31, 2019 and 2018 are summarized as follows:

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	Nine months ended January 31,	
	<u>2019</u>	<u>2018</u>
Sales	\$ 1,941,478	\$ 6,006,252
Cost of Sales	<u>1,317,221</u>	<u>4,073,307</u>
Gross Profit	<u>624,257</u>	<u>1,932,945</u>
Total Operating Expenses	<u>1,191,194</u>	<u>731,296</u>
Other Income	<u>17</u>	<u>-</u>
Net Income (Loss) from Continuing Operations	<u>(566,920)</u>	<u>1,201,649</u>

### *Adjusted Revenue*

Our adjusted revenue from operations for the nine months ended January 31, 2019 was \$1,914,478 compared to \$6,006,252, a decrease of \$4,064,774 from the nine months ended January 31, 2018. This decrease is a result of the construction segment, which has terminated its business operations with \$70,000 income for the nine months ended January 31, 2019 from \$3,112,545 for the nine months ended January 31, 2018. In addition, we had a \$1,286,766 decrease in revenue in media and technology for the nine months ended January 31, 2019 to \$55,290. Our retail sales increased to \$1,816,188 for the nine months ended January 31, 2019 from \$1,551,651 for the nine months ended January 31, 2018.

### *Adjusted Cost of Goods Sold*

Our adjusted cost of goods sold for the nine months ended January 31, 2019 was \$1,317,221 compared to \$4,073,307 for the nine months



ended January 31, 2018. The decrease is primarily due to the decrease in construction projects.

#### *Adjusted Gross Profit*

Our adjusted gross profit for the nine months ended January 31, 2019 was \$624,257 compared to \$1,933,024 for the nine months ended January 31, 2018. The adjusted gross profit of \$624,257 for the nine months ended January 31, 2019 represents 32% as a percentage of total revenue. The adjusted gross profit of \$1,933,024 for the nine months ended January 31, 2018 represents approximately 32% as a percentage of total revenue. This decrease in the adjusted gross profit is primarily attributed to the inclusion of amortization of assets directly associated with sales and the reduction of construction projects.

#### *Adjusted Operating Expenses*

Our adjusted operating expenses increased by \$459,898 to \$1,191,194 for the nine months ended January 31, 2019, from \$731,296 for the nine months ended January 31, 2018.

The increase was primarily due to the increases in professional fees of \$8,928, selling, general, and administrative fees of \$141,255, and marketing fees of \$34,984, offset by decrease in consulting fees of \$329,527.

Our total adjusted operating expenses for the nine months ended January 31, 2019 of \$1,191,194 consisted of \$383,041 of selling, general and administrative expenses, \$114,984 of professional fees, consulting expense of \$632,682, and marketing fees of \$60,487. 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)*

Our net loss of \$566,920 for the nine months ended January 31, 2019 from a net income of \$1,201,649 for the nine months ended January 31, 2018 represents a deficit of \$1,768,569. The increase in net loss compared to the prior period net income is primarily a result of the gross profit decrease of \$1,308,688, and an increase in operating expenses of \$459,898 with an increase in other income of \$17.

#### **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.

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#### **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 and nine months ended January 31, 2019 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 January 31, 2019.

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.

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

There have been no changes in our internal control over financial reporting during the quarter ended January 31, 2019 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.

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## **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.

The Company subsidiary, Grow Contractors, Inc., along with the Company and its officers were sued by APEX Management, LLC and Apex Operations, LLC (the "Solaris" project) for the return of approximately \$600,000 in cash paid for services they allege were never provided. We have countersued for the payment of approximately \$425,000 in services provided that have not yet been paid for. In addition, we have sued both Michael Sassano and Ronald Sassano individually for their roles in the alleged actions. Currently the case is in discovery.

The Company subsidiary, Grow Contractors, Inc., was sued for alleged faulty services provided in the state of Oregon. Grow Contractors alleges it has outstanding, unpaid invoices and services were stopped for lack of payment.

On March 7, 2019, the Company's wholly-owned subsidiary, NYAcres, Inc. filed suit in New York State Supreme Court, Columbia County, New York against FarmOn! Foundation, NYAcre's Joint Venture partner, Tessa Edick its former CEO and certain FarmOn! Board Members, including Ms. Edick. Prior to filing the suit, the Company engaged an independent forensic accounting firm to audit the books and records of the Joint Venture. FarmOn! Foundation refused to participate in this forensic audit. The lawsuit was filed to recover funds believed to have been misappropriated by FarmOn! Foundation and others, for an accounting and for lost profits from the sale of the hemp harvest, currently held illegally by FarmOn! Foundation. The suit also seeks damages of \$2,000,000 from FarmOn! Foundation and its Board Members for breach of their fiduciary responsibilities to NYAcres, Inc. and the Joint Venture.

**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**

During the three months ended October 31, 2017 the Company issued 5,416,551 under a warrant and 80,000,000 in conversion from Series A Preferred.

**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.

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**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: April 8, 2019

/s/ Paul Rosenberg

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

Dated: April 8, 2019

/s/ Michael W. Hawkins

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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: April 8, 2019

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: April 8, 2019

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 January 31, 2019 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: April 8, 2019

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 January 31, 2019 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: April 8, 2019

/s/ Michael W. Hawkins  
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By: 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.