

MCIG, INC.

FORM 10-Q (Quarterly Report)

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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

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

FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2017

Commission file number: 333-175941

MCIG, INC.

(Exact name of registrant as specified in its charter)

NEVADA

27-4439285

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer Identification No.)

2831 St. Rose Parkway, Suite 200, Henderson , NV

89052

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

570-778-6459

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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

Yes No

As of February 17, 2017, the Company had 348,385,509 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, 2016. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three months ended January 31, 2017 are not necessarily indicative of the results that can be expected for the year ending April 30, 2017.

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

ASSETS	January 31, 2017	April 30, 2016
Current Assets		
Cash and cash equivalents	\$ 420,488	\$ 80,542
Accounts Receivable, Net	573,179	6,120
Inventory	72,182	7,268
Prepaid Expenses	193,840	-
Total Current Assets	1,259,689	93,930
Property, Plant and Equipment, Net	7,262	1,334
Due From Related Party	-	186,276
Cost Basis Investment	336,487	67,500
Intangible Assets, Net	248,221	488
Total Assets	\$ 1,851,659	\$ 349,528
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 46,343	\$ 45,385

Due to Shareholder	150,511	24,173
Deferred Revenue	90,858	6,502
Total Current Liabilities	287,712	76,060
Total Liabilities	287,712	76,060
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 50,000,000 shares authorized; 17,050,000 and 23,000,000 shares issued and outstanding, as of January 31, 2017 and April 30, 2016, respectively.	1,705	2,300
Common Stock, \$0.0001 par value, voting; 560,000,000 shares authorized; 348,385,509 and 306,314,216 shares issued, and outstanding, as of January 31, 2017 and April 30, 2016, respectively.	34,839	30,631
Treasury stock	(680,500)	
Additional Paid In Capital	8,195,996	6,916,635
Accumulated Deficit	(5,959,514)	(6,658,558)
Total Stockholders' Equity	1,592,526	291,008
Non-Controlling Interest	(28,579)	(17,540)
Total Equity	1,563,947	273,468
Total Liabilities and Stockholders' Equity	\$ 1,851,659	\$ 349,528

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
Sales	\$ 1,362,689	\$ 249,641	\$ 2,237,405	\$ 1,504,290
Total Cost of Sales	1,074,459	164,565	1,655,692	1,190,594
Gross Profit	288,230	85,076	581,713	313,696
Selling, general, and administrative	67,360	124,197	160,965	1,412,869
Professional Fees	6,240	7,045	20,030	26,726
Stock based compensation	(91,203)	-	179,647	-
Consultant Fees	101,169	-	208,980	-
Amortization and Depreciation	13,486	1,994	35,140	6,058
Total Operating Expenses	97,052	133,236	604,762	1,445,653
Income (Loss) From Operations	191,178	(48,160)	(23,049)	(1,131,957)
Other Income (Expense)	654,033	-	711,054	-
Net Income (Loss) Before Non-Controlling Interest	845,211	(48,160)	688,005	(1,131,957)
Loss Attributable to Non-Controlling Interest	(5,341)	-	(11,039)	-
Net Income (Loss) Attributable to Controlling Interest	\$ 850,552	\$ (48,160)	\$ 699,044	\$ (1,131,957)
Basic and Diluted (Loss) Per Share:				
Income(Loss) per share from Continuing Operations	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)
Income(Loss) Per Share	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)
Weighted Average Shares Outstanding - Basic and Diluted	342,035,457	300,631,768	331,114,006	290,124,608

See accompanying notes to unaudited consolidated financial statements.

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and Subsidiaries
Statements of Cash Flows
(Unaudited)

For the Nine Months Ended
January 31,

	2017	2016
Cash Flows From Operating Activities:		
Net (Loss)	\$ 688,005	\$ (1,083,797)
<i>Adjustments to Reconcile Net Loss to Net</i>		
<i>Cash Provided By (Used In) Operating Activities:</i>		
Depreciation and Amortization	35,140	4,064
Common Stock Issued for Services	-	686,466
Amortization of Prepaid Stock Base Compensation	-	362,575
<i>Decrease (Increase) in:</i>		
Accounts Receivable, Net	(567,060)	22,141
Receivable Other	-	(1,000)
Inventories	(64,914)	(11,037)
Prepaid Expenses and Other Current Assets	(193,840)	-
Accounts Payable, Accrued Expenses and Taxes Payable	958	246
Deferred Revenue	84,355	9,947
Total Adjustment to reconcile Net Income to Net Cash	(705,361)	1,073,402
Net Cash Provided In Operating Activities	(17,356)	(10,395)
Cash Flows From Investing Activities:		
<i>Increase (Decrease) in:</i>		
Net cash received from acquisition	(152,023)	-
Acquisition of property, plant and equipment	(6,621)	-
Acquisition of intangible assets	(27,584)	-
Net cash received in investing activities	(186,228)	-
Cash Flows From Financing Activities:		
Borrowing from related party	(59,937)	-
Advances from Related Party	992	28,803
Net Proceeds from Issuance of Stock	602,475	4,996
Net Cash Provided By (Used in) Financing Activities	543,530	33,799
Net Change in Cash	339,946	23,404
Cash at Beginning of Year	80,542	102,691
Cash at End of Period	\$ 420,488	\$ 126,095
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash Investing and Financing Activities:		
Purchase of Domains and Websites	\$ 248,893	\$ -
Purchase of CHO Brand and Intellectual Properties	\$ 53,276	\$ -
Settlement of Vapolution, Net	\$ (26,959)	\$ -
Purchase of Agri-Contractors	\$ 160,008	\$ -
Conversion of preferred stock to common stock	\$ 1,000	\$ -
Inventory received for forgiveness of debt	\$ -	\$ 2,460
Shares Issued for Acquisition of Vapolutions, Inc.	\$ -	\$ 67,500

See accompanying notes to unaudited consolidated financial statements.

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

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

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

Description of Business

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

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

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

In FY 2016 the Company expanded its products and services to include construction management. On November 18, 2016 the Company acquired Agri-Contractors, LLC adding consulting services to its construction operations. The Company continues to look at strategic acquisitions and product and service developments for future growth.

Subsidiaries of the Company

The Company's current business operations are conducted through its subsidiaries; Grow Contractors, Inc., Vapolution, Inc., Scalable Solutions, LLC (which was closed on December 31, 2016), VitaCig, Inc., and mCig Internet Sales, Inc.

VitaCig, Inc.

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

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

Scalable Solutions, LLC

Scalable Solutions, LLC was organized by the Company on March 6, 2016, provides construction services in the cultivation and growing industry. Scalable began operations in December 2015, but was not officially incorporated until March 2016. The Company owns 80% of Scalable. Zoha Development, LLC maintains an option to acquire 40% of Scalable for a nominal fee. On December 31, 2016 the Company discontinued the operations of Scalable Solutions, LLC.

mCig Internet Sales, Inc.

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

Vapolution, Inc.

The Company’s non-marketable equity investment in Vapolution, Inc., was recorded using the cost-basis method of accounting, and was classified within other long-term assets on the accompanying balance sheet as permitted by FASB ASC 325, “Cost Method Investments”.

On January 17, 2016 the Company entered into an agreement with the former owners and current managers of Vapolution, Inc., whereby the Company received 1,700,000 shares of mCig, Inc., stock ending the cost basis investment in Vapolution, Inc., As part of the settlement, the Company took control of the Vapolution bank account and inventory. The Company operates the Vapolution, Inc., business under its e-Cig Segment. (See Cost-Basis Investments)

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 Grow Contractors Inc., purchased Agri-Contractors, LLC. Agri-Contractors, LLC will be absorbed by Grow Contractors Inc., over a period of time yet to be determined.

Agri-Contractors, LLC

Grow Contractors Inc., acquired Agri-Contractors, LLC on November 18, 2016. Agri-Contractors, LLC provides consulting services to grow facilities, production companies, and dispensaries servicing the cannabis medical and recreational markets.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the wholly owned subsidiaries of mCig Internet Sales, Inc., VitaCig, Inc., Vapolution, Inc., (from January 24-31, 2017), Agri-Contractors, LLC (from November 18 – January 31, 2017), Grow Contractors Inc., and the majority owned subsidiary of Scalable Solutions, LLC for the quarter ended January 31, 2017. Significant intercompany balances and transactions have been eliminated.

Inventory

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

	January 31, 2017	April 30, 2016
Finished goods	\$ 72,182	\$ 7,268
Total inventory	\$ 72,182	\$ 7,268

Accounts Receivable

The Company’s accounts receivable is primarily from its vendor tasked with accepting all credit card payments for purchases from its customers, and are held in escrow for potential chargebacks, and are reported at the amount due from the vendor. While the Company expects these receivables to be fully collectible it has created an allowance for doubtful accounts for the period. The Company did not report any accounts receivable from any of its retail customers.

The Company maintains a subscription receivable of \$320,828 for the exercise of warrants and options. The funds were received and recorded prior to the filing of this report and as such are incorporated in the balance sheet statement. A complete breakdown of the accounts receivable by company is as follows:

	January 31, 2017	April 30, 2016
mCig, Inc.	\$ 320,827	\$ 6,140
Grow Contractors	252,352	-
Total Accounts Receivable	\$ 573,179	\$ 6,140

Intangible Assets

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

Basic and Diluted Net Income (Loss) Per Share

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

There are 32,499,310 shares in warrants that have not yet vested and as such carry no dilutive value to outstanding shares computation. There are 4,900,000 shares in stock options in dilutive security as of January 31, 2017 with 9,900,000 shares in options that have not yet vested and as such carry no dilutive value to outstanding shares computation. There was zero dilutive security on April 30, 2016.

Concentration of Credit Risk

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

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

Our cash balances are maintained in accounts held by major banks and financial institutions located in the United States. The Company may occasionally maintain amounts on deposit with a financial institution that are in excess of the federally insured limit of \$250,000. The risk is managed by maintaining all deposits in high quality financial institutions. The Company had no deposits in excess of federally insured limits at January 31, 2017 and April 30, 2016.

Cost-Basis Investments

Vapolution, Inc.

The Company's non-marketable equity investment in Vapolution, Inc., was recorded using the cost-basis method of accounting, and was classified within other long-term assets on the accompanying balance sheet as permitted by FASB ASC 325, "Cost Method Investments". During the three months ended January 31, 2017 the Company liquidated its cost-basis investment in Vapolution. 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. An accounting of the transaction is as follows:

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VAPOLUTION, INC.	
Total Investment	\$ 692,500
FY 2015 Impairment Recorded	625,000
<u>Cost Basis Investment at Liquidation</u>	<u>67,500</u>
Cash	961
Inventory	40,541
MCIG Stock	680,000
<u>Other Income</u>	<u>\$ 654,002</u>

Omni Health, Inc.

The Company accounts for its approximately 8 % ownership of Omni Health , Inc., (fka VitaCig, Inc.) as a cost -basis investment. During FY 2014 the Company spun-off VitaCig, Inc., (now Omni Health, Inc) into a publicly traded company and sold all its assets associated with VitaCig. At that time, the Company discontinued its VitaCig operation and wrote-off the value of its stock in VitaCig, Inc., giving it a cost basis of \$0.

On June 22, 2016 the Company reduced its ownership of Omni Health , Inc., to 57,500,000 through a Separation and Transfer Agreement where the Company acquired the business operations of VitaCig in exchange for selling back to the treasury of Omni Health , Inc., 172,500,000 common shares . As a condition to the action, the Company's shares we re non-dilutive for a period of 12 months , and the accounting of the investment was converted from an equity basis method of accounting to a cost basis method of accounting .

On October 31, 2016 the Company converted its promissory note into common shares of Omni Health, Inc., as per the conversion option under the Promissory Note. The Company was issued 17,677,058 , giving the Company a cost basis of \$152,023.

As of January 31, 2017 and April 30, 201 6 , there is a net book value of \$152,023 and 0, respectively of the ownership of Omni Health, Inc .

The fair market value of the Company's ownership of Omni Health, Inc., was \$3,608,499 on January 31, 2016 and \$1,587,000 on April 30, 2016. In accordance with GAAP the Company has not recorded the increase in fair market value of the investment.

Warranties

Warranty reserves include management's best estimate of the projected costs to repair or to replace any items under warranty, based on actual warranty experience as it becomes available and other known factors that may impact the Company's evaluation of historical data. Management reviews mCig's reserves at least quarterly to ensure that its accruals are adequate in meeting expected future warranty obligations, and the Company will adjust its estimates as needed. Initial warranty data can be limited early in the launch of a product and accordingly, the adjustments that are recorded may be material.. As a result, the products that can be returned as a warranty replacement are extremely limited. As a result, due to the Company's warranty policy, the Company did not have any significant warranty expenses to report for the quarter ended January 31 , 201 7 . Based on these actual expenses, the warranty reserve, as estimated by management as of January 31, 2017 and April 30, 201 6 were at \$0. Any adjustments to warranty reserves are to be recorded in cost of sales.

Segment Information

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

Segment	Subsidiary
	Scalable Solutions, Inc.
Construction and Consulting	Grow Contractors, Inc. Agri-Contractors, LLC
CBD	mCig Internet Sales, Inc.
	VitaCig, Inc.
e-Cig	Vapolution, Inc.

Prior to this quarter the Company segments consisted of i) construction, ii) retail, and iii) wholesale. The Company has determined the segments are best identified and more meaningful to its investors and shareholders to be reported as listed above. A reconciliation of this change is recorded under Note 7, Business Segments.

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, no certainty of continuation can be stated. The accompanying financial statements for the three months ended January 31, 2017 and 2016 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.

Management is taking steps to raise additional funds to address its operating and financial cash requirements to continue and grow 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. Notes Payable

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

Note 5. Property, Plant and Equipment

During the six months ended January 31, 2017 the company acquired equipment for its Rollies operation, a service whereby the company provides onsite packing services at dispensaries where marijuana cigarettes are sold. The cost of the machine includes actual cost, transportation, travel for inspection and testing. The following is a detail of equipment at January 31, 2017 and April 30, 2016:

PROPERTY, PLANT AND EQUIPMENT		
	January 31, 2017	April 30, 2016
Office Furniture	\$ 1,792	\$ 1,792
Rollies Machine	5,066	-
Computer Equipment	1,544	-
Accumulated Depreciation	(1,150)	(458)
Total Property and Equipment	\$ 7,252	\$ 1,334

Note 6. Intangible Assets

Intangible assets, net amortization over five years for domain names and three years for websites, consisted of the following:

	January 31, 2017	April 30, 2016
Website Designs	\$ 25,984	\$ 1,792
Domains	247,500	-
VitaCig Brand	28,820	-
Trademarks	2,468	-
Less: Amortization	(56,551)	(22,103)
Current Intangible Assets	\$ 248,221	\$ (20,311)

Note 7. Business Segments

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

Corporate

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

Construction and Consulting

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

E-Cig

The Company produces and sales via websites (retail) and wholesale contracts electronic cigarettes (E-Cig) under the VitaCig brand name.

The Company sales retail CBD products through its brand name VitaCBD. In addition, the Company wholesales raw CBD through its CHO brand. The Company offers various other labeled products through its CBD Wholesale website.

Prior to this quarter, the Company segments consisted of construction, retail, and wholesale. Company management determined that the current segments better reflect the true operations of the business and provide more meaningful analysis for its shareholders and investors.

Information concerning the revenues and operating income (loss) for the three months and nine months ended January 31, 2017 and 2016, and the identifiable assets for the segments in which the Company operates are shown in the following table:

For the Three Months Ended January 31, 2016	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ -	\$ -	\$ 249,641	\$ -	\$ 249,641
Segment Income (Loss) from Operations	-	-	85,076	(133,236)	(48,160)
Total Assets	-	-	107,608	255,480	363,088
Capital Expenditures	-	-	-	-	-
Depreciation and Amortization	-	-	1,994	-	1,994

For the Three Months Ended January 31, 2017	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ 1,090,982	\$ 137,838	\$ 133,869	\$ -	\$ 1,362,689
Segment Income (Loss) from Operations	234,597	(29,727)	5,182	640,500	850,552
Total Assets	169,018	143,670	49,332	1,489,541	1,851,561
Capital Expenditures	3,554	59,327	-	246,105	308,986
Depreciation and Amortization	-	181	13,215	90	13,486

For the Nine Months Ended January 31, 2016	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ -	\$ -	\$1,504,290	\$ -	\$ 1,504,290
Segment Income(Loss) from Operations	-	-	313,696	(1,445,653)	(1,131,957)
Total Assets	-	-	107,608	255,480	363,088
Capital Expenditures	-	-	-	-	-
Depreciation and Amortization	-	-	6,058	-	6,058

For the Nine Months Ended January 31, 2017	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ 1,340,844	\$ 586,027	\$ 310,534	\$ -	\$ 2,237,405
Segment Income from Operations	211,806	81,436	40,657	365,145	699,044
Total Assets	169,018	143,670	49,332	1,489,541	1,851,561
Capital Expenditures	3,554	59,327	-	246,105	308,986
Depreciation and Amortization	-	362	33,928	758	35,048

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

For the Three Months Ended October 31, 2015	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ -	\$ -	\$ 885,556	\$ -	\$ 885,556
Segment Income (Loss) from Operations	-	-	101,676	(522,325)	(420,649)
Total Assets	-	-	-	384,790	384,790
Capital Expenditures	-	-	-	-	-
Depreciation and Amortization	-	-	-	1,994	1,994

For the Three Months Ended October 31, 2016	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ 187,594	\$ 279,849	\$ 152,572	\$ -	\$ 620,015
Segment Income (Loss) from Operations	12,246	68,563	44,137	(114,478)	10,468
Total Assets	56,424	153,637	239,351	473,889	923,301
Capital Expenditures	-	-	24,456	152,023	176,479
Depreciation and Amortization	-	181	13,215	90	13,486

For the Six Months Ended October 31, 2015	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ -	\$ -	\$ 1,254,649	\$ -	\$ 1,254,649
Segment Income (Loss) from Operations	-	-	228,620	(1,312,417)	(1,083,797)
Total Assets	-	-	-	411,248	411,248
Capital Expenditures	-	-	-	-	-
Depreciation and Amortization	-	-	-	4,064	4,064

For the Six Months Ended October 31, 2016	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ 249,862	\$ 403,676	\$ 221,179	\$ -	\$ 874,717
Segment Income (Loss) from Operations	(31,551)	98,528	48,979	(267,462)	(151,506)
Total Assets	56,424	153,637	239,351	473,889	923,301
Capital Expenditures	-	-	277,022	107,743	384,765
Depreciation and Amortization	-	181	20,713	668	21,562

Restatement of segments for the three months ending July 31, 2016 and 2015 concerning the revenues and operating income (loss) of the Company, and the identifiable assets for the segments in which the Company operates are shown in the following table:

For the Three Months Ended July 31, 2015	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ -	\$ -	\$ 369,093	\$ -	\$ 369,093
Segment Income (Loss) from Operations	-	-	100,855	(763,983)	(663,128)
Total Assets	-	-	-	384,790	384,790
Capital Expenditures	-	-	-	-	-
Depreciation and Amortization	-	-	-	2,070	2,070

For the Three Months Ended July 31, 2016	Construction	e-Cig	CBD	Corporate	Total
Revenue	\$ 62,268	\$ 123,827	\$ 71,707	\$ -	\$ 257,802
Segment Income (Loss) from Operations	(43,797)	29,095	1,742	(152,984)	(165,944)
Total Assets	78,455	-	405,762	239,765	723,982
Capital Expenditures	-	-	252,566	(44,280)	208,286
Depreciation and Amortization	-	-	7,590	578	8,168

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

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

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

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

The following tables reflect the non-GAAP Consolidated Statements of Operations for the three month period and nine months ending January 31, 2017 and January 31, 2016, respectively.

mCig, Inc. and Subsidiaries				
Adjusted Consolidated Statements of Operations				
(Unaudited)				
	Three Months Ended January 31,		Nine Months Ended January 31,	
	2017	2016	2017	2016
Sales	\$ 1,362,689	\$ 249,641	\$ 2,237,405	\$ 1,504,290
Total Cost of Sales	1,074,459	164,565	1,655,692	1,190,594
Gross Profit	288,230	85,076	581,713	313,696
Selling, general, and administrative	67,360	124,197	160,965	314,838
Professional Fees	6,240	7,045	20,030	26,726
Consultant Fees	101,169	-	208,980	-
Depreciation	271	-	1,181	-
Total Operating Expenses	175,040	131,242	391,156	341,564
Income (Loss) From Operations	113,190	(46,166)	190,557	(27,868)
Other Income (Expense)	-	-	53,915	-
Net Income (Loss) Before Non-Controlling Interest	113,190	(46,166)	244,472	(27,868)
Loss Attributable to Non-Controlling Interest	(5,241)	-	(14,100)	-
Net Loss Attributable to Controlling Interest	\$ 118,531	\$ (46,166)	\$ 258,572	\$ (27,868)
Basic and Diluted (Loss) Per Share:				
Income(Loss) per share from Continuing Operations	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)
Income(Loss) Per Share	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)
Weighted Average Shares Outstanding - Basic and Diluted	330,759,250	300,631,768	325,340,992	290,124,608

See accompanying notes to unaudited consolidated financial statements.

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The following tables is a reconciliation of the EBITDA and Adjusted Net Income (non-GAAP measures) to the Net Income with the GAAP Consolidated Statements of Operations for the three month period and nine months ending January 31, 2017 and January 31, 2016, respectively.

CONSOLIDATED STATEMENT of OPERATIONS:	For period ending January 31,		Nine Months ending January 31,	
	2017	2,016	2017	2016
Net Income (Loss)	\$ 850,552	\$ (48,160)	\$ 699,044	\$ (1,131,957)
Interest	-	-	(1,009)	-
Depreciation and Amortization	13,486	1,994	35,140	6,058
EBITDA	864,038	(46,166)	733,175	(1,125,899)
Adjustment for Non-Intangible Asset Depreciation	(271)	-	(1,181)	-
Stock Based Compensation	(91,203)	48,991	200,424	1,098,031
Settlement on Investment	(654,033)	-	(654,033)	-
Adjusted Net Income	\$ 118,531	\$ 2,825	\$ 278,385	\$ (27,868)

Note 9. Acquisitions

VitaCig, Inc.

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

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

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

Gray Matter, LLC - Cherry Hemp Oil (CHO)

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

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

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

Agri-Contractors, LLC

On November 1, 2016 the Company entered into an Asset Purchase Agreement with Agri-Contractors, LLC. The Agreement was consummated on November 18, 2016. The Company acquired all intellectual property in exchange for \$160,000 in common stock. As a condition to this acquisition, the Company entered into a Consulting Agreement with Robert Kressa II, who became the President, mCig Construction and Consulting Division.

The purchase price of Agri-Contractors, LLC was \$160,000. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed, at the date of acquisition:

AGRI-CONTRACTORS GROUP, LLC PURCHASE	
Cash	\$ (8)
Intangible assets (Website, Brand)	160,008
Total assets acquired	<u>160,000</u>
Total liabilities assumed	0
Net assets acquired	<u>\$ 160,000</u>

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

CONSOLIDATED STATEMENT OF OPERATIONS:	For period ending January 31,		Nine Months ending January 31,	
	2017	2016	2017	2016
Sales	\$ 1,401,799	\$ 409,028	\$ 2,355,258	\$ 1,841,296
Cost of Sales	1,112,932	241,618	1,741,247	1,348,796
Gross Profit	289,867	167,410	614,011	492,500
Operating Expenses	122,729	202,623	747,717	1,599,406
Income (Loss) from Operations	167,138	(35,213)	(133,706)	(1,106,906)

Other Income / (Expense)	654,033	-	655,241	-
Net Income (Loss) Before Non-Controlling Interest	\$ 821,171	\$ (35,213)	\$ 521,535	\$ (1,106,906)
(Loss) Attributable to Non-Controlling Interest	(5,341)	-	(11,039)	-
Net Income (Loss) Attributable to Controlling Interest	815,830	(35,213)	510,496	(1,106,906)

Note 10. Related Parties and Related Party Transactions

On May 1, 2016 the Company entered into a Line of Credit Agreement for up to \$100,000 with Paul Rosenberg, the Chairman and CEO. The Company will utilize the Line of Credit as needed for day-to-day operations. During this quarter the company utilized \$3,100 under the Line of Credit Agreement and reduced it by \$7,670. Currently the Company owes \$30,511 on the Line of Credit.

On September 1, 2016 the Company entered into an employment agreement with Michael Hawkins, the Chief Financial Officer and an employment agreement with Paul Rosenberg, the Chief Executive Officer of the Company (“employees”). Mr. Hawkins was the Interim Chief Financial Officer which agreement was scheduled to expire on September 6, 2016.

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

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

On January 23, 2017 the company’s Chief Financial Officer, Michael Hawkins, exercised a Warrant purchasing 616,551 shares of common stock at the price of \$0.025, totaling \$15,414.

On January 31, 2017 the company sold 25,000 shares of Series A Preferred Stock to Paul Rosenberg, the company’s Chief Executive Officer, at \$4.00 per share for a total purchase price of \$100,000. In addition, the company granted Mr. Rosenberg a five year warrant to purchase 250,000 shares of common stock at \$0.75 per share.

On January 31, 2017 the company sold 25,000 shares of Series A Preferred Stock to Epic Industry Corp., a wholly owned company by Michael Hawkins, the company’s Chief Financial Officer, at \$4.00 per share for a total purchase price of \$100,000. In addition, the company granted Epic Industry Corp. a five year warrant to purchase 250,000 shares of common stock at \$0.75 per share.

Note 11. Stockholders’ Equity

Common Stock

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

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

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

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

On August 31, 2016, the Company issued 1,067,241 shares of common stock for services and was recorded as Stock

Based Compensation in the amount of \$30,950.

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

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

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

On January 17, 2017 the Company returned to treasury 1,700,000 shares of common stock under a settlement agreement with the previous owners of Vapolution, Inc.

On January 31, 2017, in settlement of services provided, the Company cancelled 2,560,336 shares of common stock by two shareholders who obtained the stock as stock based compensation. The company recorded a reduction of stock based compensation based upon the issue price (cost basis), not market price.

Preferred Stock

The Company has authorized 50,000,000 shares of preferred stock, at \$0.0001 par value and 17,000,000 and 23,000,000 are issued and outstanding as of January 31, 2017 and April 30, 2016, respectively. Each share of the Preferred Stock has 10 votes on all matters presented to be voted by the holders of the Company's common stock. All of the 23,000,000 shares of issued and outstanding preferred stock were granted to the Company's Chief Executive Officer on September 23, 2013, which was valued at \$2,300, the price of the common stock of \$0.0001 exchanged in the transaction. On September 25, 2016 the Company's CEO sold back to the Company 5,000,000 shares of Preferred Stock in exchange for \$500 (par value). The Company's CEO currently owns 16,000,000 shares of Series A Preferred on July 31, 2016. On two separate occasions, the CEO transferred a total 1,500,000 preferred shares to two parties (1,100,000 shares to one party and 400,000 to another party).

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

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

The Company's CEO currently owns 16,100,000 shares of Series A Preferred as of January 31, 2017. Subsequently to this quarter the CEO cancelled an additional 2,000,000 shares of preferred stock.

NOTE 12 – Stock Option Plan

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

Options granted under the Plan are exercisable at the exercise price of grant and, subject to termination of employment, expire three years from the date of issue, are not transferable other than on death, and vest in monthly installments commencing at various times from the date of grant. As of January 31, 2017, the Company recorded compensation cost of \$0 within operating expenses related to stock options granted in 2016. As of January 31, 2017 total compensation cost related to non-vested awards not yet recognized was \$0.

The weighted average fair value at date of grant for options granted during fiscal 2016 is \$0.043 per option. The fair value of each option at date of grant utilized the closing price of the stock on the date of issue.

A summary of the Company's stock option plan as of January 31, 2017 is presented below:

	Shares	Weighted Average Exercise Price
Options outstanding at beginning on period	16,000,000	\$ 0.034

Granted	5,200,000	0.107
Forfeited	-	-
Exercised	6,600,000	0.046
Options outstanding at January 31, 2017	14,400,000	\$ 0.063

There are currently 28,800,000 unissued options under the 2016 Stock Option Plan.

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The following table summarizes information for stock options outstanding at January 31, 2017:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding @ 11/31/17	Weighted- Average Remaining in years	Weighted- Average Exercise Price	Number Exercisable @ 1/31/17	Weighted- Average Exercise Price
\$0.034 - \$0.107	14,400,000	2.92	\$ 0.063	4,900,000	\$ 0.034

Note 13. Warrants

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

A summary of warrant activity for period ended January 31, 2017 is as follows:

	Shares	Weighted Average Conversion Price
Warrants outstanding at April 30, 2016	-	\$ -
Exercised	10,833,102	\$ 0.025
Granted	43,332,412	\$ 0.025
Warrants outstanding at January 31, 2017	32,499,310	\$ 0.025

Note 14. Subsequent Events

On February 20, 2017 the Company entered into a binding Letter of Intent with CBJ Distributing, LLC, a Nevada limited liability company. Under terms of the agreement the Company received an option to acquire up to 80% of equity interest in CBJ Distributing, LLC until June 30, 2018. The Company will incubate the business and provide inventory financing. The Company issued the owners of CBJ Distributing, LLC options to acquire up to one million shares of the Company stock based upon certain vesting criteria.

On February 10, 2017 the CEO cancelled an additional 2,000,000 shares of preferred stock. The CEO currently owns 14,100,000 of Series A Preferred Stock.

On January 30, 2017 the Company entered into a Purchase Agreement with Stony Hill Corp to sell to VitaCBD, LLC, a subsidiary of Stony Hill Corp, the VitaCBD brand in exchange for \$850,000 in cash and stock of Stony Hill Corp. Under the terms of the Purchase Agreement the Company obtained 20% of VitaCBD, LLC. On February 23, 2017 the Company closed the transaction with Stony Hill.

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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, 2016.

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

Overview

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

(1) the decriminalization and legalization of marijuana for medicinal or recreational purposes - legalizing medicinal and recreational marijuana usage is steadily on the rise not only domestically but also internationally. Marijuana has been decriminalized in over twenty countries, in over five continents. The following chart was created by the National Organization for the Reform of Marijuana Laws and depicts the status (2016) of each state in the decriminalization and legalization of marijuana prior to the November 8, 2016 elections.

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

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

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

Critical Accounting Policies and Estimates

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

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

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

Revenue Recognition

Our revenue recognition policy is in accordance with generally accepted accounting principles, which requires the

recognition of sales when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determined and the collectability of revenue is reasonably assured.

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

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

Operating Results

Our operating results for the three months and nine months ended January 31, 2017 and 2016 are summarized as follows:

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2017	2016	2017	2016
Revenue	\$ 1,362,689	\$ 249,641	\$ 2,237,405	\$ 1,504,290
Cost of Goods Sold	1,074,459	164,565	1,655,692	1,190,594
Gross Profit	288,230	85,076	581,713	313,696
Expenses	97,052	133,236	604,762	1,445,653
Net Income (Loss) from operations	191,178	(48,160)	(23,249)	(1,131,957)
Other income (expense)	654,033	-	711,054	-
Net Income (Loss)	\$ 845,211	\$ (48,160)	\$ 668,005	\$ (1,131,957)

Adjusted Net Income

Our adjusted operating results for the three months and nine months ended January 31, 2017 and 2016 are summarized as follows:

ADJUSTED NET INCOME				
	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2017	2016	2017	2016
Revenue	\$ 1,362,689	\$ 249,641	\$ 2,237,405	\$ 1,504,290
Cost of Goods Sold	1,074,459	164,565	1,655,692	1,190,594
Gross Profit	288,230	85,076	581,713	313,696
Expenses	175,040	131,242	391,156	341,564
Net Income (Loss) from operations	113,190	(46,166)	190,557	(27,868)
Other income (expense)	-	-	53,915	-
Net Income (Loss)	\$ 113,190	\$ (46,166)	\$ 244,472	\$ (27,868)

Results of Operations

Three Months Ended January 31, 2017 Compared to Three Months Ended January 31, 2016

Revenue

Our revenue from continuing operations for the three months ended January 31, 2017 was \$1,362,689 compared to \$249,641, an increase of \$1,113,048,541 or approximately 545%, for the three months ended January 31, 2016. This increase is primarily due to the increase in the construction segment. Revenues consist primarily of results the sales of the electronic vaporisers, the components for vaporisers and related accessories, our CBD Products, construction and consulting services.

Cost of Goods Sold

Our cost of goods sold for the three months ended January 31, 2017 was \$1,074,459 compared to \$164,565 for the three months ended January 31, 2016. The increase is primarily due to the increase in sales.

Gross Profit

Our gross profit for the three months ended January 31, 2017 was \$288,230 compared to \$85,076 for the three months ended January 31, 2016. The gross profit of \$288,230 for the three months ended January 31, 2017 represents approximately 21% as a percentage of total revenue. The gross profit of \$85,076 for the three months ended January 31, 2016 represents approximately 23% as a percentage of total revenue. This increase in the gross profit is primarily attributed to the increase in sales.

Operating Expenses

Our operating expenses decreased by \$36,184 to \$97,052 for the three months ended January 31, 2017, from \$133,236 for the three months ended January 31, 2016.

The decrease was primarily due to the decrease in professional fees of \$805, stock based compensation of \$91,203 and in selling, general and administrative expenses of \$56,837, with an increase in consulting fees of \$101,169 and amortization and depreciation of \$11,492.

Our total operating expenses for the three months ended January 31, 2017 of \$97,052 consisted of \$67,360 of selling, general and administrative expenses, \$6,240 of professional fees, a credit of \$91,203 to stock based compensation, \$101,169 in consulting fee, and \$13,486 of amortization and depreciation expenses. Our general and administrative expenses consist of bank charges, telephone expenses, meals and entertainments, computer and internet expenses, postage and delivery, office supplies and other expenses.

Net Income/Loss

We generated a net income from operations of \$191,178 for the three months ended January 31, 2017, while we generated a net loss of \$48,160 for the three months ending January 31, 2016, a net increase of \$239,338. The net improvement in net income compared to the prior period's net loss is primarily a result of the decrease in operating expenses of \$36,184, and an increase in gross profit of \$203,154.

Nine Months Ended January 31, 2017 Compared to Nine Months Ended January 31, 2016

Revenue

Our revenue from continuing operations for the nine months ended January 31, 2017 was \$2,237,405 compared to \$1,504,290, an increase of \$733,115 or approximately 33%, for the nine months ended January 31, 2016. This increase is primarily due to the construction division.

Cost of Goods Sold

Our cost of goods sold for the nine months ended January 31, 2017 was \$1,655,692 compared to \$1,190,394 for the nine months ended January 31, 2016. The increase is primarily due to the increase in sales.

Gross Profit

Our gross profit for the nine months ended January 31, 2017 was \$581,713 compared to \$313,696 for the nine months ended January 31, 2016. The gross profit of \$581,713 for the nine months ended January 31, 2017 represents approximately 26% as a percentage of total revenue. The gross profit of \$313,696 for the nine months ended January 31, 2016 represents approximately 21% as a percentage of total revenue. This increase in the gross profit is primarily attributed to the increase in sales.

Operating Expenses

Our operating expenses decreased by \$840,891 to \$604,762 for the nine months ended January 31, 2017, from \$1,445,653 for the nine months ended January 31, 2016.

The decrease was primarily due to the decrease in selling, general and administrative expenses of \$1,251,904. There was an increase in professional fees of \$6,696, an increase in stock based compensation of \$179,647, consulting fee of \$208,980, and in amortization and depreciation of \$28,082.

Our total operating expenses for the nine months ended January 31, 2017 of \$604,762 consisted of \$160,965 of selling, general and administrative expenses, \$20,030 of professional fees, \$179,647 of stock based compensation, \$208,980 in consulting fees, and \$35,120 of amortization and depreciation expenses. Our general and administrative expenses consist of professional fees, bank charges, telephone expenses, meals and entertainments, computer and internet expenses,

postage and delivery, office supplies and other expenses.

Net Loss from Operations

Our net loss from operations decreased by \$1,108,908 to \$23,049 for the nine months ended January 31, 2017 from \$1,131,957 for the nine months ending January 31, 2016. The decrease in net loss compared to the prior period is primarily a result of the decrease in operating expenses of \$840,891 and the increase in gross profit of \$268,017.

Liquidity and Capital Resources

Introduction

During the nine months ended January 31, 2017 we used \$17,356 in operating cash flows. Our cash on hand as of January 31, 2017 was \$420,488. At January 31, 2016, the Company had a working capital surplus of \$339,946.

Cash Requirements

We had cash available of \$420,488 as of January 31, 2017. Based on our revenues, cash on hand we believe that our operations are sufficient to fund operations through April 2017.

Sources and Uses of Cash

Operations

We had net cash used in continuing operating activities of \$17,356 for the nine months ended January 31, 2017, as compared to cash used of \$10,395 for the nine months ended January 31, 2016.

Net cash used by continuing operations consisted primarily of the net income of \$688,005 offset by non-cash expenses of \$35,140 consisting of depreciation and amortization of intangible assets of \$35,140. Additionally, changes in assets and liabilities consisted of increases in accounts receivable of \$567,060, and decrease in accounts payable of \$958 which were partially offset by increases in inventory of \$64,914, prepaid expenses of \$193,840, and deferred revenue of \$84,355.

Investments

We had net cash used in continuing investing activities of \$186,228 and \$0 for the six months ended January 31, 2017 and January 31, 2016, respectively.

Financing

We had net cash provided by continuing financing activities of \$543,530 for the nine months ended January 31, 2017, as compared to net cash provided of \$28,803 for the nine months ended January 31, 2016. Our financing activities consisted primarily of \$58,945 in borrowing from related parties and \$602,475 generated from net gains of stock issued.

Results of Adjusted Operations

Three Months Ended January 31, 2017 Compared to Three Months Ended January 31, 2016

Revenue

Our revenue from continuing operations for the three months ended January 31, 2017 was \$1,362,689 compared to \$249,641, an increase of \$1,113,048 or approximately 33%, for the nine months ended January 31, 2016. This increase is primarily due to the construction division.

Cost of Goods Sold

Our cost of goods sold for the three months ended January 31, 2017 was \$1,074,459 compared to \$164,565 for the three months ended January 31, 2016. The increase is primarily due to the increase in sales.

Gross Profit

Our gross profit for the three months ended January 31, 2017 was \$288,230 compared to \$85,076 for the three months

ended January 31, 2016. The gross profit of \$288,230 for the three months ended January 31, 2017 represents approximately 21% as a percentage of total revenue. The gross profit of \$85,076 for the three months ended January 31, 2016 represents approximately 34% as a percentage of total revenue. This increase in the gross profit is primarily attributed to the increase in sales.

Adjusted Operating Expenses

Our adjusted operating expenses increased by \$43,798 to \$175,040 for the three months ended January 31, 2017, from \$131,242 for the three months ended January 31, 2016.

The increase was primarily due to the decrease in professional fees of \$805, and in selling, general and administrative expenses of \$56,837, with an increase in consulting fees of \$101,169 and amortization and depreciation of \$271.

Our total operating expenses for the three months ended January 31, 2017 of \$175,040 consisted of \$67,360 of selling, general and administrative expenses, \$6,240 of professional fees, \$101,169 in consulting fee, and \$271 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.

Adjusted Net Income/Loss

We generated a net income from operations of \$113,190 for the three months ended January 31, 2017, while we generated a net loss of \$46,166 for the three months ending January 31, 2016, a net increase of \$159,356. The net improvement in net income compared to the prior period's net loss is primarily a result of the increase in operating expenses of \$43,798, and an increase in gross profit of \$203,154.

Nine Months Ended January 31, 2017 Compared to Nine Months Ended October 31, 2015

Revenue

Our revenue from continuing operations for the nine months ended January 31, 2017 was \$2,237,405 compared to \$1,504,290, an increase of \$733,115 or approximately 33%, for the nine months ended January 31, 2016. This increase is primarily due to the construction division.

Cost of Goods Sold

Our cost of goods sold for the nine months ended January 31, 2017 was \$1,655,692 compared to \$1,190,394 for the nine months ended January 31, 2016. The increase is primarily due to the increase in sales.

Gross Profit

Our gross profit for the nine months ended January 31, 2017 was \$581,713 compared to \$313,696 for the nine months ended January 31, 2016. The gross profit of \$581,713 for the nine months ended January 31, 2017 represents approximately 26% as a percentage of total revenue. The gross profit of \$313,696 for the nine months ended January 31, 2016 represents approximately 21% as a percentage of total revenue. This increase in the gross profit is primarily attributed to the increase in sales.

Adjusted Operating Expenses

Our operating expenses increased by \$49,592 to \$391,156 for the nine months ended January 31, 2017, from \$341,564 for the nine months ended January 31, 2016.

The decrease was primarily due to the decrease in selling, general and administrative expenses of \$153,873 and professional fees of \$6,696. This was offset by increases in, consulting fees of \$208,980 and in amortization and depreciation of \$1,181.

Our total operating expenses for the nine months ended January 31, 2017 of \$391,156 consisted of \$160,965 of selling, general and administrative expenses, \$20,030 of professional fees, \$208,980 in consulting fees, and \$1,181 of amortization and depreciation expenses. Our general and administrative expenses consist of professional fees, bank charges, telephone expenses, meals and entertainments, computer and internet expenses, postage and delivery, office supplies and other expenses.

Adjusted Net Income/Loss

We generated an adjusted net income of \$190,557 for the nine months ended January 31, 2017, while we generated a net loss of \$27,868 for the nine months ending January 31, 2016, a net improvement of \$218,425. The net improvement in net income compared to the prior period's net loss is primarily a result of the increase in operating expenses of \$49,592 and the increase in gross profit of \$268,017.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we consider material.

Going Concern

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, management is required to apply its reasonable judgment. Based on the evaluation described above, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report because we did not document our Sarbanes-Oxley Act Section 404 internal controls and procedures.

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

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, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

In the three months ended January 31, 2017, the Company did not issue any shares of common stock.

Item 3. Defaults Upon Senior Securities

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

Item 4. Mine Safety Disclosures

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

Item 5. Other Information

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

Item 6. Exhibits

- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 * Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 * Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 - 101.INS XBRL Instance Document
 - 101.SCHXBRL Taxonomy Extension Schema Document
 - 101.CALXBRL Taxonomy Extension Calculation Linkbase Document

* Furnished herewith.

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: March 6, 2017

/s/ Paul Rosenberg

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

Dated: March 6, 2017

/s/ Michael W. Hawkins

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

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

I, Paul Rosenberg, certify that:

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

Dated: March 6, 2017

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

