CANNABIS SCIENCE, INC.
Form 10-Q
May 24, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended March 31, 2010.

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from __________ to ___________

Commission File Number: 001-28911

CANNABIS SCIENCE, INC.

(Exact name of registrant as specified in its charter)

Nevada

91-1869677

(State or other jurisdiction of incorporation or

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

organization)

6946 N Academy Blvd., Suite B 254

Colorado Springs, CO 80918

(Address of principal executive offices,

including zip code)

888-889-0888

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a not-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 (X)

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

Yes ( ) No (X)

At May 20, 2010, the Company had outstanding of 65,570,574 shares of Common Stock, $0.001 par value per share.

CANNABIS SCIENCE, INC.

FORM 10-Q

For the Period Ended March 31, 2010

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PART 1 FINANCIAL INFORMATION.

ITEM 1. FINANCIAL STATEMENTS

CANNABIS SCIENCE, INC.

CANNABIS SCIENCE, INC.

(A Development Stage Company)

Balance Sheets

March 31,

2010

Dec 31,

(unaudited)

2009

ASSETS

Current Assets

Cash

$

8,818

$

243

Total current assets

8,818

243

Computer and Equipment, net of accumulated

depreciation of $1,580 and $1,311

2,375

2,645

Intangibles, net of accumulated amortization of $41,403 and $31,052

84,597

94,948

TOTAL ASSETS

$

95,790

$

97,836

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities

Accounts payable

	$ 413,927	$ 412,862
Accrued expenses	93,914	113,914
Due to related parties	54,214	66,500
Advance payable to officer	10,000	10,000
Convertible note payable to stockholder	235,000	510,000
Total current liabilities and total liabilities		

807,055

1,113,276

Stockholders' deficit

Preferred stock, $0.001 par value

Authorized 1,000,000 shares

Issued and outstanding, 999,999 shares

respectively

1,000

1,000

Common stock, $0.001 par value

Authorized 250,000,000 shares

Issued and outstanding, 33,820,574 shares and

29,744,774 respectively

33,821

		29,745
Additional paid-in capital	53,919,970	52,997,760
Accumulated deficit	(54,666,056)	(54,043,945)
Total stockholders' deficit	(711,265)	(1,015,440)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 95,790	$ 97,836

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

CANNABIS SCIENCE, INC.

(A Development Stage Company)

Statements of Operations

(Unaudited)

Period from

January 27,

2005

For the three months

(inception) to

ended March 31,

March 31,

2010

2009

2010

Revenue

$

-

$

-

$

12,239

Operating Expenses

Investor relations

35,500

-

1,094,790

Professional fees

1,065

24,123

32,516,897

Technology license royalties

-

-

160,417

Impairment of oil and gas well lease

-

-

5,089,811

Net loss (gain) on settlement of liabilities

470,000 -

-

(4,571,813)

Depreciation and Amortization

10,621

-

42,551

General and administrative

104,925

663

16,700,664

Total operating expenses

$

622,111

$

24,786

$

51,033,317

Net Operating Profit (Loss)

(622,111)

(24,786)

(51,021,078)

Other income

-

30,230

Interest expense, net

-

(19,659)

(150,348)

Beneficial conversion feature

-

-

(1,098,992)

Net Income (Loss) Before Income Taxes

$

(622,111)

$

(44,445)

$

(52,240,188)

Income tax provision

-

-

(2,035,065)

Income tax benefit

-

-

1,210,270

Net tax

$

-

$

-

$

(824,795)

Net Income (Loss) From Continuing

Operations

(622,111)

(44,445)

(53,064,983)

Discontinued operations

-

-

(2,425,868)

Income tax benefit

-

-

824,795

Net Loss

$

(622,111)

$

(44,445)

$

(54,666,056)

Net loss per common share

- Basic and diluted

$

(0.02)

$

(0.00)

Weighted average number of common shares outstanding	31,820,714	14,687,261

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

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CANNABIS SCIENCE, INC.

(A Development Stage Company)

Statement of Shareholders' Equity/(Deficit) for the

period from January 27, 2005 (inception) to March 31, 2010

(Unaudited)

Additional

Preferred

Common

Paid-in

Prepaid

Accum.

Shares

Par

Shares

Par

Capital

Consulting

Deficit

Total

$

$

$

$

$

$

Bal, Jan 27, 2005

-

-

-

-

-

Founder's stock issued

83,800

84

(84)

-

Stock issued for debt

8,000

8

399,992

400,000

Shares issued for

license agreement

86,188

86

(86)

-

Effect of reverse merger

13,840

14

(200,014)

(200,000)

Divestiture of subsidiary

to related party

-

-

544,340

544,340

Net loss for the period

(807,600)

(807,600)

Bal, Dec 31, 2005

-

-

191,828

192

744,148

-

(807,600)

(63,260)

Shares issued for

employment

45,500

45

8,487,455

8,487,500

Shares issued for

service

171,080

171

28,798,329

(7,633,750)

21,164,750

Shares issued for

lease agreement

6,770

7

406,193

(350,200)

56,000

Net loss for the year

(36,906,584)

(36,906,584)

Bal, Dec 31, 2006

-

-

415,178

415

38,436,125

(7,633,750)

(38,064,384)

(7,261,594)

Shares issued for

service

63,020
63
528,285
(387,500)
140,848

Shares issued for

debt

350,000

350

349,650

350,000

Amortization of

beneficial conversion

feature

1,066,657

1,066,657

Amortization of shares

issued for services

8,021,250

8,021,250

Shares issued for

properties

500,000

500

4,999,500

5,000,000

Net loss for the year

(15,007,117)

(15,007,117)

Bal, Dec 31, 2007

-

-

1,328,198

1,328

45,380,217

-

(53,071,501)

(7,689,956)

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

Additional

Preferred

Common

Paid-in

Prepaid

Accum.

Shares

Par

Shares

Par

Capital

Consulting

Deficit

Total

$

$

$

$

$

$

Bal, Dec 31, 2007

-

1,328,198

1,328

45,380,217

-

(53,071,501)

(7,689,956)

Amortization of

beneficial conversion

feature

32,335

32,335

Cancellation and

amortization of shares

(919)

(1)

1

-

Shares issued for cash

10,000

10

19,990

20,000

Shares issued for debt

990,000

990

98,010

99,000

Shares issued for

acquisition

10,000,000

10,000

2,490,000

2,500,000

Shares issued for

service

270,000

270

128,230

128,500

Net profit for the year

3,559,617

3,559,617

Bal, Dec 31, 2008

-

-

12,597,279

12,597

48,148,783

-

(49,511,884)

(1,350,504)

Shares issued for cash

2,522,495

2,523

197,552

200,075

Shares issued for

service

8,855,000

8,855

2,507,195

2,516,050

Cancellation of shares

(10,000)

(10)

10

-

Shares issued for debt

3,680,000

3,680

2,020,320

2,024,000

Shares issued for

service

999,999

1,000

1,000

Shares issued for

assets

2,100,000

2,100

123,900

126,000

Net loss for the year

(4,532,061)

(4,532,061)

Bal, Dec 31, 2009

999,999

1,000

29,744,774

29,745

52,997,760

-

(54,043,945)

(1,015,440)

Shares issued for cash

95,800

96

16,190

16,286

Shares issued for cash

300,000

300

50,700

51,000

Shares issued for

service

50,000

50

4,950

5,000

Shares issued for debt

400,000

400

151,600

152,000

Shares issued for

service

60,000

60

5,940

6,000

Shares issued for debt

1,750,000

1,750

453,250

455,000

Shares issued for debt

600,000

600

137,400

138,000

Shares issued for

service

470,000

470

46,530

47,000

Shares issued for cash

300,000

300

50,700

51,000

Shares issued for cash

50,000

50

4,950

5,000

Net loss for the period

(622,111)

(622,111)

Bal, Mar 31, 2010

999,999

1,000

33,820,574

33,821

53,919,970

-

(54,666,056)

(711,265)

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

CANNABIS SCIENCE, INC.

(A Development Stage Company)

Statements of Cash Flows

(Unaudited)

Period from

January 27,

2005

For the three months

(inception) to

ended March 31,

March 31,

2010

2009

2010

Cash Flows (Used In) Provided By :

Operating Activities

Net loss

$

(622,111)

$

(44,445)

$

(54,666,056)

Plus:

Net loss from discontinued operations

-

-

1,601,073

Total net loss

(622,111)

(44,445)

(53,064,983)

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

Depreciation and amortization

10,621

100

9,526,571

Impairment on oil lease investments

-

-

5,076,667

Shares issued for services

58,000

-

32,480,567

Gain (loss) on settlement of debt

470,000 470,000 -

-

1,928,838

Changes in operating assets and liabilities:

Accounts receivable

-

-

(2,087)

Inventory

-

-

(29,102)

Accounts payable

1,065

(20,013)

1,549,712

Accrued expenses

(20,000)

(3,501)

(960,141)

Related parties

(12,286)

48,469

54,214

Accrued interest payable to affiliate

-

19,659

214,982

Net cash provided by (used in) continuing

operating activities

(114,711)

269

(3,224,762)

Net cash used by discontinued

operating activities

-

-

898,927

Net cash used in operating activities

$

(114,711)

$

269

$

(2,325,835)

Investing Activities

Purchase of oil & gas leases

-

-

(30,000)

Purchase of property, plant & equipment

-

-

(42,908)

Net cash used in investing activities

$

-

$

-

$

(72,908)

Financing Activities

Proceeds from convertible note-related party

-

-

951,342

Advances from related parties

-

-

1,112,858

Proceeds from sale of common stock

123,286

-

343,361

Net cash provided by financing activities

$

123,286

$

-

$

2,407,561

Increase/(Decrease) in Cash

8,575

269

8,818

Cash, beginning

243

580

-

Cash, ending

$

8,818

$

849

$

8,818

Supplemental Cash Flow Information:

Issuance of common stock for services	$ 58,000	$ -	$ 58,000
Related party note payable	-	-	250,000
Net liabilities assumed with recapitalization			275,000

-

475,000

Divestiture of subsidiary to related party

-

-

544,340

Common stock issued for debt

-

-

1,149,000

Common stock issued for acquiring

oil and gas leases

-

-

7,906,200

Issuance of common stock for assets

-

525,000

126,000

Issuance of preferred stock for services

$

-

$

-

$

1,000

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

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CANNABIS SCIENCE, INC.

(formerly Gulf Onshore, Inc.)

Notes to Financial Statements

March 31, 2010

(Expressed in US Dollars)

Note 1 - Organization and Business Operations

Cannabis Science, Inc. (We or the Company), was incorporated under the laws of the State of Colorado, on February 29, 1996, as Patriot Holdings, Inc. On August 26, 1999, the Company changed its name to National Healthcare Technology, Inc., and commenced a business plan to develop Magkelate, a patented intravenous drug developed to re-establish normal electrolyte balance in ischemic tissue and certain other patents for medical instruments and medical instrument technology. On January 14, 2000, the Company filed its Form 10SB12G. In 2002, the Company ceased its medical technology business following the death of Magkelate s inventor. The Company conducted no substantial business until 2005.

In July 2005, the Company acquired Es3, Inc., a Nevada Corporation ("Es3"), pursuant to the terms of an Exchange Agreement (the "Exchange Agreement") by and among the Company, Crown Partners, Inc., a Nevada corporation ("Crown Partners"), Es3, and certain stockholders of Es3 (the "Es3 Stockholders"). Under the terms of the Exchange Agreement, the Company acquired all of the outstanding capital stock of Es3 in exchange for the issuance of 191,828 shares of the Company's common stock (adjusted for splits) to the Es3 Stockholders, Crown Partners and certain consultants. The transactions effected by the Exchange Agreement were accounted for as a reverse merger, and recapitalization. In addition, the Company changed its accounting year-end from September 30 to December 31, which was Es3's accounting year-end. The Company then commenced business manufacturing and marketing products under the name Special Stone Surfaces. The Company sold its shares in Es3 in October 2005, and thereafter conducted no substantial business until 2006.

On April 3, 2006, the Company acquired a group of oil and gas leases in Oklahoma in exchange for issuance of common stock and commenced the business of oil and gas exploration and production, mineral lease purchasing and all activities associated with acquiring, operating and maintaining the assets of such operations. On June 6, 2007, the Company changed its name from National Healthcare Technology, Inc., to Brighton Oil & Gas, Inc., and converted to a Nevada corporation. The Company acquired additional oil and gas leases during 2007, all for issuance of common stock; in October 2007, the Company acquired leases from K & D Equity Investments, Inc., a Texas corporation in a transaction that effected a change of control, with K & D acquiring a majority stake in the Company. The Company also entered into a Line of Credit Agreement with South Beach Live, Inc., a Florida corporation, to provide it with working capital of up to $100,000 on a revolving credit line. The Agreement permitted South Beach the right to repayment on demand, or to convert amounts owed for shares.

On March 25, 2008 the Company changed its name to Gulf Onshore, Inc. On June 6, 2008, the Company entered into an Asset Acquisition Agreement with K & D to acquire additional leases (the Leases) in exchange for common stock and a Stock Purchase Agreement (SPA) with South Beach Live, Inc., a Florida corporation, to purchase 100% of the common shares of Curado Energy Resources, Inc., a Texas corporation (Curado). Curado is registered with the Texas Railroad Commission as an oil and gas well operator, and is the operator for the Leases. The Company acquired the Leases into Curado, in exchange for shares issued to K & D. The Company issued South Beach a promissory note for $250,000, payable in 1 year at 10% interest, which was guaranteed by Curado. The Company consolidated the operations of Curado commencing in 3Q 2008.

In August 2008, the Company granted South Beach a security interest in its Curado shares and the Curado assets, in exchange for concessions from South Beach regarding further cash advances and future stock conversions. This transaction was contemplated and further consummated by the Company due to declining oil prices throughout 3Q 2008 and increased operating costs, which made continued oil and gas operations on the Leases unprofitable. The Company was also continually drawing down on its Line of Credit Agreement with South Beach that created unsustainable working capital pressure.

On October 6, 2008, in the face of further oil price declines and general economic conditions, the Company and South Beach entered into an Accord and Satisfaction Agreement under which the Company surrendered its interest in the Putnam M oil and gas lease in Throckmorton Co., Texas in exchange for a complete release on the Promissory Note and Line of Credit. In addition, the Company waived any claim on the shares of Curado common stock that secured the Promissory Note or the assets of Curado. South Beach then made claim against Curado under the guarantee agreement and then exercised its rights under the collateral agreement. As a result, the Company s 4Q 2008, financial statements reflected the disposition of Curado and its assets, and furthermore that the Company has, once again, become a Development Stage Company seeking a new business partner or acquisition. A Form 8-K reflecting this transaction was timely filed.

On March 30, 2009, the Company entered into an agreement with Cannex Therapeutics, LLC, (Cannex) a California limited liability company, and its principal, medical cannabis pioneer and entrepreneur Steven W. Kubby, to acquire all of their interest in certain assets used to conduct a cannabis research and development business. The asset purchase agreement includes all of Cannex and Kubby s intellectual property rights, formulas, patents, trademarks, client base, hardware and software, including the website www.phytiva.com. The Company and its largest shareholder, K & D Equities, Inc., exchanged a total of 10,600,000 shares of common stock for the assets of Cannex; the Company issued 2,100,000 shares to Cannex, and K & D transferred 8,500,000 shares to Cannex and others. A Form 8-K reflecting this transaction was timely filed.

As part of the Agreement, on April 1, 2009, the Company appointed Mr. Kubby as President and CEO, Richard Cowan as Director and CFO, and Robert Melamede Ph. D., as Director and Chief Science Officer. Each of them was also appointed as a director. All of the Company s current directors then resigned. On April 7, 2009, the Company changed its name to Cannabis Science, Inc., and obtained a new CUSIP number. Its shares now trade under the symbol CBIS.OB. A Form 8-K was timely filed, with a copy of the Asset Acquisition Agreement and Board Resolution ratifying the Agreement provided as exhibits thereto.

On April 7, 2009, the Company changed its name to Cannabis Science, Inc., reflecting its new business mission: Cannabis Science, Inc. is at the forefront of medical marijuana research and development. The Company works with world authorities on phytocannabinoid science targeting critical illnesses, and adheres to scientific methodologies to develop, produce, and commercialize phytocannabinoid-based pharmaceutical products. In sum, we are dedicated to the creation of cannabis-based medicines, both with and without psychoactive properties, to treat disease and the symptoms of disease, as well as for general health maintenance. The Company obtained a new CUSIP number as well. Cannabis Science Inc. has also launched its new website www.cannabisscience.com reflecting its new name.

On May 7, 2009 the Company common shares commenced trading under the new stock symbol OTCBB: CBIS.

In response to a comment letter received from the Staff of the Securities and Exchange Commission, the Company has treated the disposition of Curado in connection with the Accord and Satisfaction Agreement between the Company and South Beach as a disposition of a subsidiary and has presented Curado s operations in the financial statements as discontinued operations.

Note 2 - Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company s fiscal year end is December 31.

b) Interim Financial Statement

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company s financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

c)

Use of Estimates

The preparation of these financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company regularly evaluates estimates and assumptions related to stock-based compensation and deferred income tax valuations. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

d)

Basic and Diluted Net Income (Loss) Per Share

Under ASC 260, "Earnings Per Share" ("EPS"), the Company provides for the calculation of basic and diluted earnings per share. Basic EPS includes no dilution and is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings or losses of the entity. For the periods January 1, 2009 to March 31, 2010 and from inception through March 31, 2010, basic and diluted loss per share are the same since the calculation of diluted per share amounts would result in an anti-dilutive calculation.

e)

Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

f)

Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the customer s creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. Management has determined that it will not, at this time, adopt fair value accounting for nonfinancial assets or liabilities currently recorded in the financial statements.

g)

Income Taxes

Under ASC 740, Income Tax , the Company in required to account for its income taxes through the establishment of a deferred tax asset or liability for the recognition of future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expense or benefit is recognized as a result of timing differences between the recognition of assets and liabilities for book and tax purposes during the year.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized for deductible temporary differences and operating loss, and tax credit carry forwards. A valuation allowance is established to reduce that deferred tax asset if it is "more likely than not" that the related tax benefits will not be realized.

h) Development Stage Enterprise

The Company is currently in the development stage as defined under the provisions of Accounting Codification Standard ("ASC") 915-10. In October 2008, the Company divested itself of its operating company, Curado Energy Resources, Inc. Beginning with the fiscal fourth quarter of 2008 the Company again became a development stage company. The Company is working on developing its medical cannabis business, which will be comprised of cannabinoid medicines approved through the FDA along with non-psychotropic medicines for the naturopathy market.

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i) Recently Issued Accounting Pronouncements

Beginning on July 1, 2009, the Financial Accounting Standards Board (FASB) implemented a new accounting referencing system known as the Accounting Standards Codification (ASC). This new reporting and disclosure method is applicable for annual and interim periods ending after September 15, 2009. The accompanying financial statements have been prepared with the use of the ASC reference system. The ASC does not alter current accounting principles generally accepted in the United States of America (GAAP), but rather integrates existing accounting standards with other authoritative guidance. The ASC provides a single source of authoritative GAAP for nongovernmental entities and supersedes all other previously issued non-public accounting and reporting guidance. The adoption of the ASC did not have any effect on the Company s financial statements.

During the year ended December 31, and through May 20, 2010, there were several new accounting pronouncements issued by the FASB the most recent of which was Accounting Standards Update 2010-17, Topic 605, *Revenue Recognition Milestone Method: A Consensus of the FASB Emerging Issue Task Force.* Each of these pronouncements, as applicable, has been or will be adopted by the Center.

Management has reviewed these new standards and believes that they have no material impact on the financial statements of the Company.

Note 3 - Due to Related Parties

As at March 31, 2010, $54,214 was due to related parties and these amounts are non-interest bearing, unsecured and have no specific terms of repayment.

Note 4 Common Stock

On January 4, 2010, the Company issued 95,800 common shares to an investor for cash.

On January 21, 2010, the Company issued 300,000 common shares for a private placement at $0.17 for net proceeds of $47,500 after paying a finder s fee of $3,500, issued 50,000 common shares for services rendered and, issued 400,000 common shares for settlement of $40,000 in shareholder debt. The Company also issued 60,000 common shares to an advisor for services rendered in 2010.

On February 8, 2010, the Company issued 1,750,000 common shares for settlement of $175,000 of shareholder debt assigned from the shareholder note payable owing at December 31, 2009.

On March 8, 2010, the Company issued 600,000 common shares for settlement of $60,000 of debt assigned from the shareholder note payable owing at December 31, 2009.

On March 12, 2010, the Company issued 470,000 common shares to consultants and advisors for services rendered. The Company issued 300,000 common shares for a private placement at $0.17 for net proceeds of $45,000 after paying finder s fees of $6,000. The Company issued 50,000 common shares subscribed in January 2010 at $0.10 for proceeds of $5,000 received in full.

Note 5 Computer and Equipment

Equipment	$ 2,017
Computer	358
	$ 2,375

Computer and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred and the cost of renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated lives of the related assets, 2 years for computer and 5 years for equipment.

Note 6 Intangible Assets

Intellectual assets, primarily intellectual property	$	126,000
Less accumulated amortization		41,403
	$	84,597

Intangible assets are stated at fair value on the date of purchase less accumulated amortization. Amortization is computed using the straight-line method over the estimated lives of the related assets (5 years for intellectual assets).

Note 7 - Subsequent Events

On May 13, 2010, the Company issued 25,650,000 restricted common shares at $0.10 per share to several individuals for services rendered.

On May 15, 2010, the Company issued 4,600,000 common shares for settlement of debt of $46,000.

On May 19, 2010, the Company issued 1,500,000 common shares for settlement of $15,000 of shareholder debt assigned from the shareholder note payable owing at December 31, 2009.

The Company has evaluated subsequent events through May 20, 2010 and has determined that there were no additional subsequent events to recognize or disclose in these financial statements.

PART I

This Interim Report on Form 10-Q contains forward-looking statements that have been made pursuant to the provisions of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995 and concern matters that involve risks and uncertainties that could cause actual results to differ materially from historical results or from those projected in the forward-looking statements. Discussions containing forward-looking statements may be found in the material set forth under Business, Management s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-Q. Words such as may, will, should, could, expect, plan, anticipate, believe, estimate, predict, potential, continue or similar words are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable as of the date of this Report, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this Interim Report on Form 10-Q. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations.

Readers should carefully review and consider the various disclosures made by us in this Report, set forth in detail in Part I, under the heading Risk Factors, as well as those additional risks described in other documents we file from time to time with the Securities and Exchange Commission, which attempt to advise interested parties of the risks, uncertainties, and other factors that affect our business. We undertake no obligation to publicly release the results of any revisions to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section of this report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking states are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

Overview of the Company s Business

Cannabis Science, Inc. (formerly Gulf Onshore, Inc.) (We or the Company), was incorporated under the laws of the State of Colorado, on February 29, 1996, as Patriot Holdings, Inc. On August 26, 1999, the Company changed its name to National Healthcare Technology, Inc., and commenced a business plan to develop Magkelate, a patented intravenous drug developed to re-establish normal electrolyte balance in ischemic tissue and certain other patents for medical instruments and medical instrument technology. On January 14, 2000, the Company filed its Form 10SB12G. In 2002, the Company ceased its medical technology business following the death of Magkelate s inventor. The Company conducted no substantial business until 2005.

In July 2005, the Company acquired Es3, Inc., a Nevada Corporation ("Es3"), pursuant to the terms of an Exchange Agreement (the "Exchange Agreement") by and among the Company, Crown Partners, Inc., a Nevada corporation ("Crown Partners"), Es3, and certain stockholders of Es3 (the "Es3 Stockholders"). Under the terms of the Exchange Agreement, the Company acquired all of the outstanding capital stock of Es3 in exchange for the issuance of 191,828 shares of the Company's common stock (adjusted for splits) to the Es3 Stockholders, Crown Partners and certain consultants. The transactions effected by the Exchange Agreement were accounted for as a reverse merger, and recapitalization. In addition, the Company changed its accounting year-end from September 30 to December 31, which was Es3's accounting year-end. The Company then commenced business manufacturing and marketing products under the name Special Stone Surfaces. The Company sold its shares in Es3 in October 2005, and thereafter conducted no substantial business until 2006.

On April 3, 2006, the Company acquired a group of oil and gas leases in Oklahoma in exchange for issuance of common stock and commenced the business of oil and gas exploration and production, mineral lease purchasing and all activities associated with acquiring, operating and maintaining the assets of such operations. On June 6, 2007, the Company changed its name from National Healthcare Technology, Inc., to Brighton Oil & Gas, Inc., and converted to a Nevada corporation. The Company acquired additional oil and gas leases during 2007, all for issuance of common stock; in October 2007, the Company acquired leases from K & D Equity Investments, Inc., a Texas corporation in a transaction that effected a change of control, with K & D acquiring a majority stake in the Company. The Company also entered into a Line of Credit Agreement with South Beach Live, Inc., a Florida corporation, to provide it with working capital of up to $100,000 on a revolving credit line. The Agreement permitted South Beach the right to repayment on demand, or to convert amounts owed for shares.

On March 25, 2008 the Company changed its name to Gulf Onshore, Inc. On June 6, 2008, the Company entered into an Asset Acquisition Agreement with K & D to acquire additional leases (the Leases) in exchange for common stock and a Stock Purchase Agreement (SPA) with South Beach Live, Inc., a Florida corporation, to purchase 100% of the common shares of Curado Energy Resources, Inc., a Texas corporation (Curado). Curado is registered with the Texas Railroad Commission as an oil and gas well operator, and is the operator for the Leases. The Company acquired the Leases into Curado, in exchange for shares issued to K & D. The Company issued South Beach a promissory note for $250,000, payable in 1 year at 10% interest, which was guaranteed by Curado. The Company consolidated the operations of Curado commencing in 3Q 2008.

In August 2008, the Company granted South Beach a security interest in its Curado shares and the Curado assets, in exchange for concessions from South Beach regarding further cash advances and future stock conversions. This transaction was contemplated and further consummated by the Company due to declining oil prices throughout 3Q 2008 and increased operating costs, which made continued oil and gas operations on the Leases unprofitable. The Company was also continually drawing down on its Line of Credit Agreement with South Beach that created unsustainable working capital pressure.

On October 6, 2008, in the face of further oil price declines and general economic conditions, the Company and South Beach entered into an Accord and Satisfaction Agreement under which the Company surrendered its interest in the Putnam M oil and gas lease in Throckmorton Co., Texas in exchange for a complete release on the Promissory Note and Line of Credit. In addition, the Company waived any claim on the shares of Curado common stock that secured the Promissory Note or the assets of Curado. South Beach then made claim against Curado under the guarantee agreement and then exercised its rights under the collateral agreement. As a result, the Company s 4Q 2008, financial statements reflected the foreclosure of Curado and its assets, and furthermore that the Company has, once again, become a Development Stage Company seeking a new business partner or acquisition. A Form 8-K reflecting this transaction was timely filed.

On March 30, 2009, the Company entered into an agreement with Cannex Therapeutics, LLC, (Cannex) a California limited liability company, and its principal, medical cannabis pioneer and entrepreneur Steven W. Kubby, to acquire all of their interest in certain assets used to conduct a cannabis research and development business. The asset purchase agreement includes all of Cannex s and Kubby s intellectual property rights, formulas, patents, trademarks, client base, hardware and software, including the website www.phytiva.com. The Company and its largest shareholder, K & D Equities, Inc., exchanged a total of 10,600,000 shares of common stock for the assets of Cannex; the Company issued 2,100,000 shares to Cannex, and K & D transferred 8,500,000 shares to Cannex and others. A Form 8-K reflecting this transaction was timely filed. Please see Note 6 to the financial statements.

As part of the Agreement, on April 1, 2009, the Company appointed Mr. Kubby as President and CEO, Richard Cowan as Director and CFO, and Robert Melamede Ph. D., as Director and Chief Science Officer. Each of them was also appointed as a director. All of the Company s current directors then resigned. On April 7, 2009, the Company changed its name to Cannabis Science, Inc., and obtained a new CUSIP number. Its shares now trade under the symbol CBIS.OB. A Form 8-K was timely filed, with a copy of the Asset Acquisition Agreement and Board Resolution ratifying the Agreement provided as exhibits thereto.

On April 7, 2009, the Company changed its name to Cannabis Science, Inc., reflecting its new business mission: Cannabis Science, Inc. is at the forefront of medical marijuana research and development. The Company works with world authorities on phytocannabinoid science targeting critical illnesses, and adheres to scientific methodologies to develop, produce, and commercialize phytocannabinoid-based pharmaceutical products. In sum, we are dedicated to the creation of cannabis-based medicines, both with and without psychoactive properties, to treat disease and the symptoms of disease, as well as for general health maintenance. The Company obtained a new CUSIP number as well. Cannabis Science Inc. has also launched its new website www.cannabisscience.com reflecting its new name.

On May 7, 2009 the Company common shares commenced trading under the new stock symbol OTCBB: CBIS.

The Company is in the development stage as defined in ASC 915.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, have concluded that, based on the evaluation of these controls and procedures, that our disclosure controls and procedures were not effective.

There were no changes in our internal controls or in other factors during the period covered by this report that have materially affected, or are likely to materially affect the Company s internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the fiscal year ended December 31, 2009, we sold the following shares in unregistered offerings:

On August 27, 2009, the Company issued 2,005,000 common shares through private placements at $0.05 per share.

On October 8, 2009, the Company issued 60,000 common shares through a private placement at $0.17.

On December 14, 2009, the Company issued 100,000 common shares through a private placement at $0.20.

On December 10, 2009, the Company issued 37,495 common shares through private placements at $0.15.

A total of 120,000 common shares, representing proceeds of $30,000, remains in common shares subscribed but not yet issued at December 31, 2009.

As set out below, we have issued securities in exchange for services, properties and for debt, using exemptions available under the Securities Act of 1933.

On March 25, 2009 Summitt Oil & Gas, Inc. (Summitt) and 364 Melissa, Ltd. (Melissa) entered into a purchase and sale agreement whereas Summitt agreed to assign its rights with respect to debt of $814,742 plus accrued interest and to sell 400,000 shares of restricted stock for a total of $50,000. The debt comprises the Secured Convertible Note issued on January 5, 2007, in the amount of $650,000, further advances of $164,742 (total $814,742) and accrued interest of $136,346.

On March 30, 2009, the Company entered into an agreement with Cannex Therapeutics, LLC, (Cannex) a California limited liability company, and its principal, medical cannabis pioneer and entrepreneur Steven W. Kubby, to acquire all of their interest in certain assets used to conduct a cannabis research and development business. The asset purchase agreement includes all of Cannex and Kubby s intellectual property rights, formulas, patents, trademarks, client base, hardware and software, including the website www.phytiva.com. The Company and its largest shareholder, K & D Equities, Inc., exchanged a total of 10,600,000 shares of common stock for the assets of Cannex; the Company issued 2,100,000 shares to Cannex, and K & D transferred 8,500,000 shares to Cannex and others.

On November 6, 2009, the Company entered into debt settlement agreements with several parties as follows:

- Chipmunk Enterprises, LLC to settle $66,000 in debt for 660,000 shares of common stock at a deemed price of $0.10.

- South Beach Live, Inc. to settle $70,000 in debt for 1,000,000 shares of common stock at a deemed price of $0.07.

- South Beach Live, Inc. to settle $12,000 in debt for 120,000 shares of common stock at a deemed price of $0.10.

- CMF Investments Inc. to settle $70,000 in debt for 1,000,000 shares of common stock at a deemed price of $0.07.

All relating shares were issued to settle the aforementioned debt.

On January 4, 2010, the Company issued 95,800 common shares to an investor for cash.

On January 21, 2010, the Company issued 300,000 for a private placement at $0.17 for net proceeds of $47,500 after paying a finder s fee of $3,500, issued 50,000 common shares for services rendered and, issued 400,000 common shares for settlement of $40,000 in shareholder debt. The Company also issued 60,000 common shares to an advisor for services rendered in 2010.

On February 8, 2010, the Company issued 1,750,000 common shares for settlement of $175,000 of shareholder debt assigned from the shareholder note payable owing at December 31, 2009.

On March 8, 2010, the Company issued 600,000 common shares for settlement of $60,000 of debt assigned from the shareholder note payable owing at December 31, 2009.

On March 12, 2010, the Company issued 470,000 common shares to consultants and advisors for services rendered. The Company issued 300,000 common shares for a private placement at $0.17 for net proceeds of $45,000 after paying finder s fees of $6,000. The Company issued 50,000 common shares subscribed in January 2010 at $0.10 for proceeds of $5,000 received in full.

On May 13, 2010, the Company issued 25,650,000 restricted common shares at $0.10 per share to several individuals for services rendered.

On May 15, 2010, the Company issued 4,600,000 common shares for settlement of debt of $46,000.

On May 19, 2010, the Company issued 1,500,000 common shares for settlement of $15,000 of shareholder debt assigned from the shareholder note payable owing at December 31, 2009.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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SIGNATURES

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: May 21, 2010

Cannabis Science, Inc.

By:

/S/ Dr. Robert Melamede

Dr. Robert Melamede

President and Chief Executive Officer

By:

/S/ Richard Cowan

Richard Cowan

Chief Financial Officer