

CANNABIS SCIENCE, INC.
Form 10-Q
August 23, 2017

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: June 30, 2017

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

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19800 MacArthur Blvd., Suite 300, Irvine, California
(Address of principal executive offices)

92612
(Zip Code)

(888) 263-0832

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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. [X] 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). [X] Yes [] No

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 [X] No

Number of common shares issued and outstanding at June 30, 2017: 2,461,355,296

Number of common shares outstanding at August 18, 2017: 2,521,805,296

Number of Class A common shares outstanding at August 18, 2017: 0

CANNABIS SCIENCE, INC.

FORM 10-Q

For the Period Ended June 30, 2017

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PART I FINANCIAL INFORMATION.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CANNABIS SCIENCE, INC.

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CANNABIS SCIENCE, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2017 and December 31, 2016

| | June 30, 2017 (UNAUDITED) \$ | December 31, 2016 \$ |
|--|------------------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | 321,688 | 332,888 |
| Other receivables | 17,779 | 36,001 |
| Prepaid expenses and deposits held with RMS (Note 11) | 478,223 | 808,514 |
| Inventory | 125,009 | 102,993 |
| Total current assets | 942,699 | 1,280,396 |
| Equipment and Greenhouse, net (Note 7) | 326,966 | — |
| Property Farming Rights (Note 8) | 1,049,188 | 751,726 |
| Equity method investee (Note 9) | 221,633 | 272,644 |
| Intangibles, net of accumulated amortization (Note 10) | 150,500 | 172,000 |
| TOTAL ASSETS | 2,690,986 | 2,476,766 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable | 812,501 | 856,269 |
| Accrued expenses, primarily management fees (Note 4) | 1,186,845 | 884,465 |
| Advances from related parties (Note 4) | 615,515 | 538,425 |
| Management bonuses | 300,000 | 300,000 |
| Notes payable to stockholders (Note 5) | 1,674,685 | 1,506,745 |
| Notes payable (Note 5) | 639,343 | 177,698 |
| Total current liabilities and total liabilities | 5,228,889 | 4,263,602 |
| Stockholders' Deficit | | |
| Series A Preferred stock, \$0.001 par value, 1,000,000 shares authorized, 1,000,000 shares issued and outstanding at June 30, 2017 and December 31, 2016 | 1,000 | 1,000 |
| Common stock, \$.001 par value, 3,000,000,000 shares authorized, 2,461,855,296 issued and outstanding as of June 30, 2017 and 2,350,355,296 at December 31, 2016 | 2,461,856 | 2,350,356 |
| Common stock, Class A, \$.001 par value, 100,000,000 shares authorized, 0 issued and outstanding as of June 30, 2017 and December 31, 2016 | — | — |
| Prepaid consulting | (3,507,316) | (1,705,659) |
| Common Stock receivable | (2,152,520) | (655,000) |
| Additional paid-in capital | 146,040,120 | 136,963,520 |
| Accumulated deficit | (144,822,153) | (138,137,771) |
| Cumulative exchange translation | (12,858) | (11,495) |
| Equity attributable to common shareholders | (1,991,871) | (1,195,049) |

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| | | | | |
|---|------------|---|------------|---|
| Non-Controlling interest | (546,032 |) | (591,787 |) |
| Total stockholders' deficit | (2,537,903 |) | (1,786,836 |) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | 2,690,986 | | 2,476,766 | |

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

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CANNABIS SCIENCE, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 and 2016
(UNAUDITED)**

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|---------------|--------------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ |
| REVENUE | 252 | 2,862 | 3,985 | 5,787 |
| Cost of Goods Sold | 141 | 604 | 2,062 | 2,202 |
| Gross Profit | 111 | 2,258 | 1,923 | 3,585 |
| Operating Expenses | | | | |
| Investor relations | 119,411 | 61,350 | 140,111 | 218,350 |
| Professional Fees | 185,883 | 113,427 | 275,089 | 195,117 |
| Net loss on settlement of liabilities | — | — | — | 588,645 |
| Depreciation and Amortization | 14,513 | 19,284 | 25,327 | 38,569 |
| Research and Development | 168,889 | 95,537 | 385,832 | 258,537 |
| General and administrative | 1,463,149 | 1,389,479 | 5,132,856 | 3,781,168 |
| Total operating expenses | 1,951,845 | 1,679,077 | 5,959,215 | 5,080,386 |
| Net Operating Loss | (1,951,734) | (1,676,819) | (5,957,292) | (5,076,801) |
| Other income (expense) | | | | |
| Interest expense, net | (327,010) | (867) | (629,585) | (902) |
| Unrealized (loss) on equity investee | (104,250) | (69,000) | (51,750) | — |
| Total other income (expense) | (431,260) | (69,867) | (681,335) | (902) |
| Net Loss | (2,382,994) | (1,746,686) | (6,638,627) | (5,077,703) |
| Net (Income) loss attributable to non-controlling interest | 778 | 38,368 | (45,755) | 78,413 |
| Net loss attributable to common shareholders | (2,382,216) | (1,708,318) | (6,684,382) | (4,999,290) |
| Other Comprehensive Income (Loss) | | | | |
| Foreign exchange translation adjustment | (745) | 2,689 | (1,363) | 593 |
| Total other comprehensive income (Loss) | (745) | 2,689 | (1,363) | 593 |
| Comprehensive loss attributable to Cannabis Science, Inc. | (2,382,961) | (1,705,629) | (6,685,745) | (4,998,697) |
| Net loss per common share: | | | | |
| Basic and diluted | \$(0.00) | \$(0.00) | \$(0.00) | \$(0.00) |
| Weighted average number of common shares outstanding | 2,456,410,241 | 1,894,641,010 | 2,423,244,799 | 1,787,517,384 |

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

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CANNABIS SCIENCE, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE SIX MONTHS ENDED JUNE 30, 2017 and 2016

(UNAUDITED)

| | June 30, 2017 \$ | June 30, 2016 \$ |
|---|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | (6,638,627) | (5,077,703) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 138,865 | 38,569 |
| Interest on debt conversion | 639,244 | — |
| Stock issued for services | 3,527,443 | 2,445,759 |
| Stock options issued for services | 1,259,000 | 703,500 |
| (Gain) / Loss on settlement of liability | — | 588,645 |
| (Gain) / Loss on Equity Investee, Omnicanna Health Solutions, Inc. | 51,750 | — |
| Changes in operating assets and liabilities: | | |
| Other receivables | 18,222 | 5,950 |
| Prepaid expenses and deposits held with RMS | 232,791 | 3,896 |
| Equity investee | (739) | (204) |
| Inventory | (22,016) | (75,927) |
| Property farming rights and working capital | (313,500) | — |
| Accounts payable | 331,232 | 160,618 |
| Accrued expenses, primarily management fees | 302,380 | 596,629 |
| Loan receivable, related parties | 77,090 | 19,141 |
| NET CASH USED IN OPERATING ACTIVITIES | (406,524) | (591,127) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Advances receivable, related parties | | 17,516 |
| Equipment and computers | (766) | — |
| Greenhouse | (330,026) | — |
| Property farming rights | — | (50,000) |
| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES | (330,792) | (32,484) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from common stock options exercised | 727,480 | 591,690 |
| CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | 727,480 | 591,690 |
| Effect on exchange rate changes on cash | (1,363) | 2,957 |
| NET DECREASE IN CASH | (11,200) | (28,964) |
| CASH, BEGINNING OF PERIOD | 332,888 | 61,971 |
| CASH, END OF PERIOD | 321,688 | 33,007 |

SUPPLEMENTAL CASH FLOW INFORMATION:

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| | | |
|--|-----------|-----------|
| Common stock issued for services | 3,527,443 | 1,408,232 |
| Common stock issued for settlement of debt | — | 634,500 |
| Common stock issued for options exercised | 1,259,000 | 2,453,500 |
| Common stock issued for assets | | 181,350 |
| Debt converted into common stock | — | 45,855 |
| Common stock subscription receivables | 2,152,500 | 1,539,810 |
| Accounts payable and expenses paid through advances from related parties | 77,090 | 19,141 |

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

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CANNABIS SCIENCE, INC.**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT)**

FOR THE SIX MONTHS ENDED June 30, 2017

| | Common Shares | Par | Preferred Shares | Par | Additional Paid-In Capital | Prepaid Consulting | Accumulated Deficit | Common Stock Receivable | C E T |
|--|------------------|-----------|---------------------|-------|----------------------------------|-----------------------|------------------------|-------------------------------|-------------|
| | | \$ | | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at December 31, 2016 | 2,350,355,296 | 2,350,356 | 1,000,000 | 1,000 | 136,963,520 | (1,705,659) | (138,137,771) | (655,000) | (|
| Common stock issued for services | 66,500,000 | 66,500 | | | 5,262,600 | (2,334,830) | | — | |
| Common stock issued for stock option exercised | 45,000,000 | 45,000 | | | 3,439,000 | | | (1,497,520) | |
| Intrinsic interest on convertible promissory notes | | | | | 375,000 | | | | |
| Amortization of shares issued for services | | | | | | 533,173 | | | |
| Net loss for the period | | | | | | | (6,684,382) | | |
| Foreign exchange translation | | | | | | | | | (|
| Balance at June 30, 2017 | 2,461,855,296 | 2,461,856 | 1,000,000 | 1,000 | 146,040,120 | (3,507,316) | (144,822,153) | (2,152,520) | (|

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

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CANNABIS SCIENCE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and General Description of Business

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. 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. On March 25, 2008 the Company changed its name to Gulf Onshore, Inc. On April 6, 2009, the Company changed its name to Cannabis Science, Inc., and obtained a new CUSIP number.

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

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 formed two operating subsidiaries Cannabis Science BV and Cannabis Science International Holding BV in The Netherlands on May 10th and May 6th, 2013, respectively, to pursue business opportunities in Europe and worldwide. There are currently minimal operations in the subsidiaries. Agreements and business disclosures are in process.

On November 15, 2013, the Company submitted a patent application N2010968 in Europe entitled "Composition for the Treatment of Neurobehavioral Disorders." The subject of the patent is development of cannabinoid-based formulations to treat a variety of neurobehavioral disorders, such as attention deficit hyperactivity disorder (ADHD), anxiety, and sleep disorders.

B. Basis of Presentation

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

Interim Financial Reporting

While the information presented in the accompanying interim consolidated financial statements is unaudited, it includes all adjustments, which are in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with general accepted accounting principles in the United States of America ("GAAP"). These interim financial statements follow the same accounting policies and methods of application as used in the December 31, 2016 audited financial statements of Cannabis Science, Inc. (the "Company"). All adjustments are of a normal, recurring nature. Interim financial statements and the notes thereto do not contain all of the disclosures normally found in the year-end audited financial statements and these Notes to Financial Statements are abbreviated and contain only certain disclosures related to the six-month periods ended June 30, 2017 and 2016. It is suggested that these interim financial statements be read in conjunction with the Company's audited financial statements and related notes for the year ended December 31, 2016 included in our Form 10-K/A filed with the SEC on file no. 000-28911 171022778 August 11, 2017. Operating results for the six months ended June 30, 2017 are not necessarily indicative of the results that can be expected for the year ending December 31, 2017.

The following subsidiaries and controlling interests are included with the consolidated financial statements of the Company for the six months ended June 30, 2017:

In 2012, the Company formed Cannabis Science Europe GmbH ("CSE") in which the Company own 90% to operate joint-venture operations with Dupetit Natural Products Ltd. The JV asset was sold to Endocan Corporation (formerly X-Change Corporation) on December 12, 2012. No operations had commenced at the time of sale of the JV asset. The Company has reignited the CSE by appointing Mr. Alfredo Dupetit on September 19, 2015 as president and chief executive officer of CSE. As recent as January 7, 2016, the Federal Health Ministry in Germany has presented "Cannabis as medicine", a detailed draft bill that aims to modify the Drug Law and relax the strict measures that regulate the consumption of medical cannabis and, above all, become the main vehicle for everything relating to the plant and its medical users in the country. The Company has reinstated the development of cannabis products in February 2016 for medicinal uses in Germany.

On May 6, 2013, the Company formed Cannabis Science International Holdings B.V. and on May 10, 2013, the Company formed Cannabis Science B.V. for the purpose of wholly-owned operating subsidiaries for the Company's European and world-wide operations. The Company has commenced some operating activities with cultivation in Spain and product development in 2014. Mario Lap, director of the Company and director and officer of Cannabis Science B.V. manages the day-to-day operations through his private companies MLS BV, MJR BV and Cannabis Agency BV, all are Netherlands registered companies.

On August 6, 2014, the Company signed a proposal letter with Michigan Green Technologies, LLC ("MGT") to acquire an additional 30.1% equity in MGT and completed the transaction with the principals of MGT under the proposal letter on February 20, 2015 to effectively increase the Company's equity ownership to 50.1%. As consideration for acquiring the additional 30.1% equity, the Company issued 1,200,000 shares of common stock with a fair market value of \$60,000 to the principals and shareholders of MGT.

On May 6, 2015, the Company announced the Assets acquisition of Equi-Pharm LLC, a USA manufacturer and distributor of specialty horse and pet grooming and topical applications. The acquisition incorporates an extensive expansion plan for Equi-Pharm including "Large Animal" such as horses, cattle, sheep and the like and "Small Animal" or "Pets" include cats, dogs, pet snakes and the like for medical and cosmetic products. As consideration for acquiring the Assets, which consist of Inventory, Trademark and brand names, and goodwill, the Company issued ten million (10,000,000) shares to the shareholders of Equi-Pharm and they agreed to change its company name. The acquisition was completed on November 16, 2015 and the Company has formed a new wholly owned subsidiary called Equi-Pharm LLC. in the state of Tennessee and started the operation of distributing of existing and new line of products.

On February 2, 2017, the Cannabis Science GmbH, a subsidiary 90% owned by the Company and 10% owned by Dupetit Natural Products GmbH, has entered a Share Purchase Agreement with Jinvator BioMed GmbH (Jinvator), a German corporation, for 74.9% of the total issued and outstanding shares of Jinvator for three hundred thousand Euros

(€ 300,000) which has a US dollar equivalent of \$320,430. Jinvator developed a prototype called nanoGold-Test which is based on nano-particle technology for the detection of HIV in the early stage of infection. Patent has been submitted and pending for approval. The acquisition is pending on verification of key information.

On May 10, 2017, the Company paid €60,000, which has a US dollar equivalent of \$65,214, to the principal shareholder of Jinvator BioMed GmbH (Jinvator) as deposit for the purchase of the 74.9% equity interest in Jinvator.

On March 27, 2017, the Company entered an agreement to acquire the Assets of AFA Research and Development, a California sole proprietorship of Aja Fonseca Arnold in the research and development of products based on cannabinoid (CBD) and Tetrahydrocannabinol (THC) for patient care. As consideration for acquiring the Assets, which consist of brands, pending trademarks, trade-names, designs, medicinal products and formulations, client base, computer hardware and software, intellectual properties, inventory, equipment, supplies, supplier's information and contacts, contracted rights, properties, patents, and distribution rights for a total sum of \$750,000. The completion of assets acquisition is pending on verification of material information. In addition, the Company engaged Aja Fonseca Arnold under a 5-year management agreement to continue the research and development of medicinal cannabis products for patient care with various ailments.

For other accounting policies please refer to the Company's 10-K/A filed with the SEC on file no. 000-28911 171022778 August 11, 2017

The Company qualifies as an "emerging growth company" as defined in Section 101 of the Jumpstart our Business Startups Act ("JOBS Act") as we do not have more than \$1,000,000,000 in annual gross revenue and did not have such amount as of December 31, 2016, our last fiscal year. We are electing to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act.

2. GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern. The Company reported an accumulated deficit of \$144,822,153 and had a stockholders' deficit of \$2,537,903 as of June 30, 2017.

In view of the matters described, there is substantial doubt as to the Company's ability to continue as a going concern without a significant infusion of capital. At June 30, 2017, the Company had insufficient operating revenues and cash flow to meet its financial obligations. There can be no assurance that management will be successful in implementing its plans. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We anticipate that we will have to raise additional capital to fund operations over the next 12 months. To the extent that we are required to raise additional funds to acquire research and growing facilities, and to cover costs of operations, we intend to do so through additional public or private offerings of debt or equity securities. There are no commitment or arrangements for other offerings in place, no guaranties that any such financings would be forthcoming, or as to the terms of any such financings.

Any future financing may involve substantial dilution to existing investors. We had been relying on our common stock to pay third parties for services which has resulted in substantial dilution to existing investors.

3. FAIR VALUE MEASUREMENTS AND DISCLOSURES

ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The

hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

4. RELATED PARTY TRANSACTIONS

At June 30, 2017, a total of \$139,180 (December 31, 2016: \$14,200) in Accrued Management Fees Payable was due to the Company's CEO/Director, Raymond C. Dabney.

At June 30, 2017, a total Prepaid management fees of 37,500 (December 31, 2016: Prepaid \$52,500) advanced to the Company's Director, Mario Lap.

At June 30, 2017, a total of \$60,000 (December 31, 2016: Prepaid \$30,000) in Accrued Management Fees Payable was due to the Company's COO/Director, Robert Kane.

At June 30, 2017, a total of \$52,500 (December 31, 2016: \$52,500) in loans payable was due to the Company's CFO, Robert Kane, through his company, R Kane Holding Inc., secured by a non-interest bearing promissory note due within 30 days of Michigan Green Technologies (50.1% controlled by the Company) liquidating shares in Cannabis Science, Inc. to repay the debt.

At June 30, 2017, the Company owes \$11,871 (December 31, 2016: \$11,871) to Crown Baus Capital Corp., which advanced a total of \$11,871 for payment of the Company's expenses in July, August and September of 2015 with no interest and no security. Crown Baus Capital Corp. is a company controlled by Raymond C. Dabney.

As of June 30, 2017, the Company owes \$101,882 (December 31, 2016: \$101,882) in loan payable to a stockholder, Interstate 101 that is non-interest bearing and due on demand with no security. The loan originated between April 1, 2015 and August 19, 2016 for various expenses of the Company.

At June 30, 2017, the Company owes \$3,165 (December 31, 2016: \$3,165) in loan payable to Castor Management Services, a shareholder of the Company, with no interest and no security and is due on demand. The loan originated on August 14, 2015 for expenses of the Company.

At June 30, 2017, a total of \$191,344 (December 31, 2016: \$191,344) in loans payable was due to Bogat Family Trust, of which Raymond Dabney the Company's Director and President/CEO as trustee.

At June 30, 2017, \$106,186 (December 31, 2016: \$93,885) was due to MJR BV, owned by Mario Lap director and director and officer of EU subsidiaries.

At June 30, 2017, \$447 (December 31, 2016: \$447) was due to Robert Melamede, former CEO.

At June 30, 2017, a total of \$88,167 (December 31, 2016: \$23,378) in loans payable was due to Drue Young, a shareholder of the Company, with no interest and no security and is due on demand. The loan originated from January 11, 2016 to June 30, 2017 for expenses of the Company.

At June 30, 2017, a total of \$20,502 (December 31, 2016: \$20,502) in loans payable was due to Intrinsic Venture Corp., a shareholder of the Company, with no interest and no security and is due on demand. The loan originated from April 22, 2011 to December 31, 2014.

At June 30, 2017, the Company held 7,500,000 common shares in the OmniCanna Health Solutions, Inc. (prior to April 24, 2014, the name was Endocan Corporation) (OTCBB: ENDO) ("OmniCanna") representing approximately 2.89% of the issued and outstanding shares of OmniCanna, of which 5,000,000 common shares were acquired at a fair market value of \$150,000 or \$0.03 per share on December 12, 2012 and 2,500,000 common shares were acquired at a fair market value of \$262,250 or \$0.1049 per share on February 8, 2013. The 5,000,000 common shares were received as consideration for the sale of its rights and interest in the Dupetit Natural Products GmbH joint-venture operating agreement to OmniCanna under an Asset Purchase Agreement and the 2,500,000 common shares were received as consideration for the sale of its rights and interest in the Maliseet joint-venture operating agreement to OmniCanna under an Asset Purchase Agreement. The value of the shares at June 30, 2017 was determined to be \$0.0181 per share or \$135,750 with the Company recording unrealized loss under the Equity Investee rules for the six months ended June 30, 2017 and the value of the shares at December 31, 2016 was determined to be \$0.025 per share

or \$187,500.

Convertible Notes Payable to Royalty Management Services Corp., a company owned by a family member of Mr. Raymond C. Dabney, CEO/Director of the Company, entered into a management agreement with the Company on September 15, 2015 for accounting services, websites development and maintenance, office management, management and payments for travel, promotion and entertainments, shareholders communications and payment services totaled \$1,235,790 and \$860,790 at June 30, 2017 and December 31, 2016 respectively. See Note 5.

On November 5, 2014, the Company transitioned to equity method investee account for the OmniCanna shares pursuant to ASC 323 recording \$247,500 as the fair value of the shares to its equity method investee account. On December 31, 2016, the Company recorded an impairment on the equity method investee account of \$114,000 in relation to the shares. Robert Kane, CFO and director of the Company is also the CFO and a director of OmniCanna. Chad S. Johnson, Esq., COO, general counsel and a director is also a director and general counsel for Omnicanna. Raymond Dabney, CEO has 10.78% equity interest in Omnicanna Health Solutions, Inc. as of June 30, 2017.

For the Six months ended June 30, 2017, the following related party stock-based compensation was recorded:

| Related Party | Position | Amount |
|--------------------------|---|--------------|
| Alfredo Bernardi Dupetit | President & CEO of Cannabis Science Europe GmbH | \$415,000 |
| Dr. Allen Herman | Chief Medical Officer | 595,000 |
| | | \$ 1,010,000 |

¹ Including compensation to entities beneficially owned/control by the related parties

See Note 6 -Equity Transactions for details of stock issuances to director and officers for services rendered.

Mario Lap, a director of the Company and director and officer of its European subsidiaries, is conducting various business activities of the Company in Spain under his personal name and/or his personal holding companies MJR BV, MLS Lap BV and Cannabis Agency BV until such time as the Company is able to establish a Spanish subsidiary to conduct its own business operations and activities, including but not limited to: operating lease for farms, asset purchases, office and equipment, personnel employment and other business and operating activities as may be required from time-to-time. The Company anticipates having the Spanish subsidiary setup soon at which time Mario Lap under fiduciary duty will transfer all business operating activities, agreements, and assets to the Company.

Alfredo Dupetit-Bernardi, International Product Development and President & CEO of Cannabis Science Europe GmbH, is conducting product development through the purchase of cannabis products from his personal company, Dupetit Natural Products GmbH.

On August 10, 2016, a total of \$975,407 in Management Fees Payable accumulated from February 2012 to June 30, 2016 was converted into a two-year Convertible Promissory Note to Raymond C. Dabney, CEO/Director of the Company. At the election of the note holder, it can be converted into common stocks of the Company at the par value of \$0.001 a share. The Company has fully recognized the conversion discounts of the Note as prepaid interest to the maximum amount of \$975,407 in accordance with ASC 470-20-30-8 and amortize it over the life of the Note. The Company has partially reduced \$250,000 as result of a Debt Settlement Agreement dated August 10, 2016 by issuance of 250,000,000 Rule 144 restricted common stock at \$0.001 a share. In addition, the Company paid \$55,000 in expenses for Mr. Dabney in 2016. The balance of the Convertible Promissory Note as of June 30, 2017 was \$670,407 (December 31, 2016: \$670,407).

Notes payable to Embella Holdings Ltd. totaled \$1,108,896 and \$1,108,896 at June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, the Company is in default on the promissory notes due and is negotiating with the

debtor to extend the date. See Note 5.

Notes payable to Intrinsic Capital Corp. totaled \$231,260 and \$231,260 at June 30, 2017 and December 31, 2016, respectively. See Note 5.

Between January 1, 2015 to March 7, 2015, R. Kane Holding Inc., a company owned by Mr. Robert Kane, director and CFO, had advanced \$52,500 into Michigan Green Technologies, LLC, which is 50.1% controlled by the Company as Loan Payable to R. Kane Holding Inc.

On July 25, 2014, Bogat Family Trust, with Raymond Dabney as trustee, representing a majority of Series A preferred stockholders, signed a resolution to approve an amendment to the certificate of designation preferences and rights for Series A preferred shares. Pursuant to the amendment filed with the Nevada Secretary of State, the voting rights of Series A preferred stockholders was changed from 1,000 votes per share to 67% of the total vote on all shareholder matters. No common stockholders voted on this amendment.

5. NOTES PAYABLE

As of June 30, 2017, a total of \$1,674,685 (December 31, 2016: \$1,506,745) of notes payable are due mostly to stockholders that are non-interest bearing and are due 12 months from the date of issue and loan origination beginning on January 31, 2012 through December 31, 2016.

\$1,340,156 of the Promissory notes were in default on June 30, 2017. As of June 30, 2017, a total of \$1,906,197 convertible promissory notes (December 31, 2016: \$1,531,197) are convertible to common stock of the Company. All promissory notes are unsecured.

Notes payable to Embella Holdings Ltd that are non-interest bearing totaled \$1,108,896 and \$1,108,896 at June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, the Company is in default on the promissory notes due and is negotiating with the debtor to extend the date.

Notes payable to Intrinsic Capital Corp. that are non-interest bearing totaled \$231,260 and \$231,260 at June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, the Company is in default on the promissory notes due and is negotiating with the debtor to extend the date.

On August 10, 2016, a total of \$975,407 in Management Fees Payable accumulated from February 2012 to June 30, 2016 was converted into a two-year Convertible Promissory Note to Raymond C. Dabney, CEO/Director of the Company. At the election of the note holder, it can be converted into common stocks of the Company at the par value of \$0.001 a share. The Company has fully recognized the conversion discounts of the Note as prepaid interest to the maximum amount of \$975,407 in accordance with ASC 470-20-30-8 and will amortize it over the life of the Note. The Company has partially reduced \$250,000 as result of a Debt Settlement Agreement dated August 10, 2016 by issuance of 250,000,000 Rule 144 restricted common stock at \$0.001 a share. In addition, the Company paid \$55,000 in expenses for Mr. Dabney in 2016. The balance of the Convertible Promissory Note as of June 30, 2017 was \$670,407 (December 31, 2016: \$670,407). In the six months ended June 30, 2017, the Company recorded \$167,940 as interest for the amortization, conversion and payment.

On October 1, 2016, a total of \$710,790 in Accounts Payable for management fees accumulated from January 2016 to October 1, 2016 was converted into a one-year Convertible Promissory Note to Royalty Management Services Corp. At the election of the note holder, it can be converted into common stocks of the Company at the par value of \$0.001 a share or other mutually agreed upon price. The Company has not recognized the conversion discounts of the Note due to the uncertainty of the price in accordance with ASC 470-20-25. The balance of the Convertible Promissory Note as of June 30, 2017 was \$710,790 (December 31, 2016: \$710,790). In the six months ended June 30, 2017 the Company recorded \$355,395 as interest for the amortization, conversion and payment.

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On December 31, 2016, \$150,000 in Accounts Payable for management fees accumulated from November 1, 2016 to December 31, 2016 was converted into a one-year Convertible Promissory Note to Royalty Management Services Corp. At the election of the note holder, it can be converted into common stocks of the Company at the par value of \$0.001 a share or other mutually agreed upon price. The company has not recognized the conversion discounts of the Note due to the uncertainty of the price in accordance with ASC 470-20-25. The balance of the Convertible Promissory Note as of June 30, 2017 was \$150,000 (December 31, 2016: \$150,000). In the six months ended June 30, 2017 the Company recorded \$75,000 as interest for the amortization, conversion and payment.

On May 31, 2017, \$375,000 in Accounts Payable for management fees accumulated from January 1, 2017 to May 31, 2017 was converted into a one-year Convertible Promissory Note to Royalty Management Services Corp. At the election of the note holder, it can be converted into common stocks of the Company at the par value of \$0.001 a share or other mutually agreed upon price. The company has not recognized the conversion discounts of the Note due to the uncertainty of the price in accordance with ASC 470-20-25. The balance of the Convertible Promissory Note as of June 30, 2017 was \$375,000 (December 31, 2016: \$0). In the six months ended June 30, 2017 the Company recorded \$31,250 as interest for the amortization, conversion and payment.

6. EQUITY TRANSACTIONS

The Company is authorized to issue 3,000,000,000 shares of common stock with a par value of \$0.001 per share.

These shares have full voting rights. There were 2,461,855,296 and 2,350,355,296 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively. The current authorized common stock of 3,000,000,000 shares will not be sufficient if and when the debt holders of convertible promissory notes elect to convert the debts into common shares. The Company intends to file for an increase in the number shares in authorized common stock once the required updated financial reportings have been filed with the Securities Exchange Commission.

The Company is also authorized to issue 100,000,000 shares of common stock, Class A with a par value of \$0.001 per share. These shares have 10 votes per share. There were 0 issued and outstanding as of June 30, 2017 and December 31, 2016.

The Company is also authorized to issue 1,000,000 shares of preferred stock. These shares have full voting rights of 67% on all shareholder matters pursuant to amended certificate of designation filed with the Nevada Secretary of State. There were 1,000,000 issued and outstanding as of June 30, 2017 and December 31, 2016.

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.

During the six months ended June 30, 2017, the Company issued 66,500,000 common stock for services under various executive and consulting agreements as follows:

On February 16, 2017, the Company issued 5,000,000 shares of R144 restricted common stock to a consultant with a fair market value of \$350,000 for legal and general consulting services under a consulting agreement dated January 13, 2017.

On February 16, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock to a consultant with a fair market value of \$700,000 for legal and general consulting services pursuant to a consulting agreement dated January 13, 2017.

On March 2, 2017, the Company issued 3,000,000 shares of R144 restricted common stock to a consultant with a fair market value of \$271,500 for consulting services pursuant to a two-year consulting agreement.

On March 7, 2017, the Company issued 15,000,000 shares S-8 registered free trading common stock under the 2016 Equity Award Plan B with a fair market value of \$1,270,500 for consulting services under a consulting agreement dated March 7, 2017.

On March 13, 2017, the Company issued 10,000,000 shares S-8 registered free trading common stock under the 2016 Equity Award Plan B with a fair market value of \$883,000 for consulting services pursuant to a consulting agreement dated July 6 2016.

On March 13, 2017, the Company issued 15,000,000 shares S-8 registered free trading common stock under the 2016 Equity Award Plan B with a fair market value of \$1,324,500 for consulting services pursuant to a consulting agreement dated April 29, 2015.

On May 5, 2017, the Company issued 7,000,000 shares of R144 restricted common stock to a consultant with a fair market value of \$469,000 for consulting services pursuant to a one year consulting agreement.

On May 17, 2017, the Company issued 1,500,000 shares of R144 restricted common stock to a consultant with a fair market value of \$93,000 for consulting services pursuant to a three-month Marketing agreement.

Stock Options:

The following options were issued to the Company's V.P of investor relations, CFO and Director for services under a September 16, 2011 agreement:

- (i) the option to purchase 100,000 common shares at ten cents (\$0.10) per share;
- (ii) the option to purchase 500,000 common shares at thirty-five cents (\$0.35) per share; and
- (iii) the option to purchase 100,000 common shares at twenty cents (\$0.20) per share;
- (iv) the option to purchase 1,000,000 common shares at fifty cents (\$0.50) per share.

On January 13, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.05 and a fair market value of \$700,000 to a consultant pursuant to a consulting agreement.

On January 24, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.04 and a fair market value of \$815,000 to Alfredo Dupetit-Bernardi, President/CEO of Cannabis Science Europe GmbH.

On March 27, 2017, the Company issued 15,000,000 shares S-8 registered free-trading common stock under the 2016 Equity Award Plan B with exercise price at \$0.075 and a fair market value of \$1,140,000 to a consultant pursuant to a five-year consulting agreement.

On April 18, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.02 and a fair market value of \$829,000 to Chief Medical Officer, Dr. Allen Herman.

A summary of the status of the Company's option grants as of June 30, 2017 and the changes during the period then ended is presented below:

| | Shares | Weighted-Average Exercise Price |
|-------------------------------|------------|------------------------------------|
| Outstanding December 31, 2016 | 11,700,000 | \$ 0.0690 |
| Granted | 45,000,000 | \$ 0.0494 |
| Exercised | 45,000,000 | \$ 0.0494 |

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Outstanding June 30, 2017 11,700,000 \$ 0.0688

Options exercisable at June 30, 2017 11,700,000 \$ 0.0688

1,700,000 shares of these options at an average exercise price of \$0.415 a share, do not expire and continuing indefinitely for the duration of existing management agreement and services thereunder with Robert Kane. The weighted average fair value at date of grant for options during year ended June 30, 2017 was estimated using the Black-Scholes option valuation model with the following:

| | | |
|--|---------|-------|
| Average expected life in years for outstanding options | 1.38 | Years |
| Average risk-free interest rate | 2.50 | % |
| Average volatility | 136.071 | % |
| Dividend yield | 0 | % |

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7. EQUIPMENT AND GREENHOUSE

| | Cost | Accumulated Depletion | June 30, 2017 Net Book Value | December 31, 2016 Net Book Value |
|------------|-----------|--------------------------|---------------------------------------|---|
| Computer | \$6,482 | 5,875 | 607 | 0 |
| Software | 5,000 | 5,000 | 0 | 0 |
| | 11,482 | 10,875 | 607 | 0 |
| Greenhouse | \$330,026 | 3,667 | \$326,359 | \$ 0 |
| Total | \$341,508 | \$ 14,542 | \$326,966 | \$ 0 |

8. PROPERTY FARMING RIGHTS

On March 24, 2016, the Company entered a 15 years Joint Venture Agreement with the Ft. McDermitt Allotment land Allotees, which is on the Ft. McDermitt Tribal Reservation, Raymond C. Dabney University, American Education Consulting Group and Cannabis Science, Inc. for a total of ten (10), one (1) acre parcels of land. The project is designed to benefit both the Ft. McDermitt Tribe and Members, and Allotment Allotees. Cannabis Science made two initial payments of \$50,000 for farming rights and initial development of two one (1) acre parcels of land located in Fort McDermitt Tribal Reservation in the State of Nevada, USA. Each one (1) acre parcel of land is specifically designated for placement no more than twelve (12) three (3,000) square foot greenhouses for the production of Cannabis and all Cannabis related products. All harvested products are to be delivered and sold to qualified licensed distribution centers. The Company is to share 40% of the Adjusted Gross Income after deduction of related operating expenses and cost to build the green houses.

On October 24, 2016, the Company entered an Exclusive Master Facilitator Agreement with Members of Winnemucca Tribal Allotment, Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing of Cannabis/Hemp on 320 Acres of leased land in Humboldt County, Nevada. The Company's share is 40% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on these lands. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is five (5) years and up to twenty-five (25) years.

On November 12, 2016, the Company entered an Exclusive Master Facilitator Agreement with the Members of Washoe Tribal Allotments in Douglas County, Nevada, together with Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing Cannabis/Hemp with Free Spirit Organics, LLC on Lot 20, one (1) acre parcel of leased land located in the

allotment cc183, a portion of the SE ¼ of section 15, township 11 North, Range 21, East Mount Diablo Meridian, Douglas County of Nevada. The Company's share is 20% on all initial non-refundable deposits from external investor, and 10% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on the land. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is twenty-five (25) years renewable every five (5) years.

On December 18, 2016, the Company enter six (6) Exclusive Master Facilitator Agreement for cultivation of Medical Marijuana/Hemp with the Members of Washoe Tribal Allotments in Douglas County, Nevada, together with Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing Cannabis/Hemp with Free Spirit Organics, LLC on 13 one (1) acre parcel of leased land, Lot 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13 and 14, located in the allotment cc183, a portion of the SE ¼ of section 15, township 11 North, Range 21, East Mount Diablo Meridian, Douglas County of Nevada. The Family Allotment will receive \$40,000 per acre Good Faith Non-Refundable Deposit per development site. The Company's share is 20% on all initial non-refundable deposits from external investor, and 10% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on the land. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is twenty-five (25) years renewable every five (5) years.

On December 21, 2016, the Company enter two (2) Exclusive Master Facilitator Agreement for cultivation of Medical Marijuana/Hemp with the Members of Washoe Tribal Allotments in Douglas County, Nevada, together with Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing Cannabis/Hemp with Free Spirit Organics, LLC on two (2) one (1) acre parcel of leased land, Lot 6 and 21, located in the allotment cc183, a portion of the SE ¼ of section 15, township 11 North, Range 21, East Mount Diablo Meridian, Douglas County of Nevada. The Family Allotment will receive \$40,000 per acre Good Faith Non-Refundable Deposit per development site. The Company's share is 20% on all initial non-refundable deposits from external investor, and 10% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on the land. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is twenty-five (25) years renewable every five (5) years.

On May 18, 2017, the Company entered an Exclusive Master Facilitator Agreement with Winnemucca Tribal MBS of Nevada, Free Spirit Organics, LLC (FSO), American Education Consulting Group, Raymond C. Dabney University (RCDU), American States University and Royalty Management Services Corp. (RMS) to lease and develop 250 Acres of land located in Holt, California for 15 years. As a master facilitator, the Company will provide general support with developing, cultivating and processing Industrial Hemp for RCDU and FSO on the property. Pursuant to the agreement, the Company and RMS are responsible for a \$400,000 non-refundable deposit and the development and operations on the property on 50-50 basis. Additionally, the Company will share 40% of net profit as investor with RMS and retain 5% of net profit as master facilitator.

| | Cost | Accumulated Depletion | June 30, 2017 Net Book Value | December 31, 2016 Net Book Value |
|--|-------------|--------------------------|---------------------------------------|---|
| Property Farming Rights | | | | |
| Fort McDermit Allottees Land | \$50,000 | \$ 3,889 | \$46,111 | \$47,778 |
| Washoe Tribal Allotment Lands | 640,000 | 13,852 | 626,148 | 638,948 |
| Winnemucca Tribal MBS Lands | 200,000 | 1,571 | 198,429 | 0 |
| | 890,000 | \$ 19,312 | 870,688 | 686,726 |
| Operating capital for Washoe Lands | \$85,000 | | \$85,000 | \$— |
| Operating capital for Winnemucca Lands | 93,500 | — | 93,500 | 65,000 |
| | \$178,500 | \$ — | 178,500 | 65,000 |
| Total | \$1,068,500 | \$ 19,312 | \$1,049,188 | \$751,726 |

All equipment is 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, 2 years for software, 5 years for equipment and laboratory equipment and 3 years for automobile.

All property farm rights are amortized over the term of each respective agreements.

9. EQUITY METHOD INVESTEE

On November 5, 2014, the Company accounted for its investment and loans in OmniCanna Health Solutions, Inc. (formerly Endocan Corporation) using the equity method pursuant to ASC 323 – Investments – Equity Method and Joint Ventures. In accordance with ASC 323, when the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity's operating and financial policies, the Company accounts for its investment in accordance with the equity method of accounting. This generally applies to cases in which the Company owns a voting or economic interest of between 20 and 50 percent.

The accounting using the equity method is in conjunction with appointment of Raymond Dabney as CEO and director of the Company on November 5, 2014, in addition to Mr. Dabney being a controlling shareholder of the Company since September 2009 and a 10.78% equity interest in OmniCanna since June 2013. Benjamin Tam, CFO and director and Robert Kane, COO and director of the Company are also the CFO and director and COO and director of Omnicanna. Therefore, the Company was deemed to have significant influence and control of OmniCanna Health Solutions, Inc.

On November 5, 2014, the Company recorded \$247,500 in marketable securities and \$85,277 (based on currency converted as of June 30, 2017) in loans to OmniCanna and to its equity method investee account in accordance with ASC 323. An unrealized gain on the equity method account of \$52,500 was recognized for the six months ended June 30, 2017 in addition to a unrealized gain on the equity method investee account of \$144,000 was recognized for the year ended December 31, 2016 in the value of Omnicanna marketable securities.

10. GOODWILL and INTANGIBLE ASSETS

| | June 30, 2017 | December 31, 2016 |
|--|------------------|----------------------|
| Intellectual assets, primarily intellectual property | \$660,299 | \$660,299 |
| Goodwill | 170,688 | 170,688 |
| Less: accumulated amortization | (509,799) | (488,299) |
| Less: Impairment of Goodwill | (170,688) | (170,688) |
| Total intangible assets, net | \$150,500 | \$172,000 |

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 both intellectual assets and Goodwill).

11. PREPAID EXPENSES AND DEPOSITS HELD WITH RMS

On October 1, 2016, the Company entered a Paying Agent Agreement with Royalty Management Services Corp. (RMS) for holding funds and making payment for expenses and commitments of the Company. The Company has entered a Management Agreement with RMS since September 15 2016 for management, investors' and shareholders' communications, website development, database management, accounting and management of all activities such as travel and conference. All the expenses related to the services for the Company are included as part of the management fees.

| | June 30, 2017 | December 31, 2016 |
|---|---------------|-------------------|
| Prepaid consulting expenses | \$134,250 | \$141,750 |
| Prepaid Legal fees | — | 90,000 |
| Prepaid rent | 244 | 244 |
| Prepaid management fees | 37,500 | — |
| Deposits held with RMS | 241,015 | 576,520 |
| Deposit for acquisition of Jinvator | 65,214 | — |
| Total Prepaid expenses and Deposits held with RMS | \$478,223 | \$808,514 |

12. COMMITMENTS

The Company has lease commitments for its European operations under private companies, MLS Lap B.V. and MJR B.V. owned and controlled by Mario Lap, director of the Company and director and officer of EU subsidiaries. Negotiations are ongoing in regards to preparing finalized agreements between the Company and Mr. Lap's companies.

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13. SUBSEQUENT EVENTS

On August 3, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.015 and a fair market value of \$471,000 to a consultant.

On August 10, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.02 and a fair market value of \$425,000 to a consultant pursuant to a consulting agreement

On August 10, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.03 and a fair market value of \$425,000 to a consultant.

On August 16, 2017, the Company issued 25,000,000 shares S-8 registered free-trading common stock to a consultant pursuant to a two-year consulting agreement dated August 10, 2017 under 2016 Equity Award Plan B with a fair market value of \$1,062,500.

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. 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. On March 25, 2008 the Company changed its name to Gulf Onshore, Inc. On April 7, 2009, the Company changed its name to Cannabis Science, Inc.

Cannabis Science, Inc. is at the forefront of medical cannabis 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 summary, 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.

Cannabis Science, Inc., takes advantage of its unique understanding of metabolic processes to provide novel treatment approaches to a number of illnesses for which current treatments and understanding remain unsatisfactory. The Company works with leading experts in drug development, medicinal characterization, and clinical research to develop, produce, and commercialize novel therapeutic approaches for the treatment for illnesses caused by infections as well as for age-related illness. Our initial focus is on skin cancers and neurological conditions.

Cannabis Science, Inc. takes advantage of its unique understanding of metabolic processes to provide innovative treatment options for unmet medical needs.

Cannabis use has an extensive history dating back thousands of years, and currently there are thousands of peer-reviewed scientific publications that document the underlying biochemical pathways that cannabinoids modulate.

At Cannabis Science, we use an inquiring approach to discover and develop novel cannabinoid-based therapies to improve patients' lives. From the initiation, our founders have been committed to fostering and maintaining a bold, pioneering spirit fostering the true nature of innovation from which cutting edge ideas flourish and translate into evidence-based solutions.

We are dedicated to working closely with local, national and international regulatory agencies to provide access to high quality, first class cannabinoid pharmaceuticals to those critically in need of new treatments for life threatening and debilitating conditions. Cannabis Science's clinical trial material comes from the cultivation and production facilities that are GMP compliant, surpassing high quality standard industrial and food processing requirements.

The Company works with leading experts in drug development, medicinal characterization, and clinical research to develop, produce, and commercialize novel therapeutic approaches for the treatment of multiple critical ailments from cancer and infections to age-related illnesses.

Our products, broadly described, are medical cannabinoid formulations developed from one or more of the cannabinoid compounds found in the cannabis plant. Our immediate focus is to treat one of the most important diseases in the world, cancer.

CS-S/BCC1 is in preparation to enter phase I clinical trials within one to two year. This product is formulated for topical administration to be tested in phase I study, with an indication for skin cancer.

CS-TATI1 is in preclinical development with the indication for infectious disease. Consistent with data published in March by researchers at the Mount Sinai School of Medicine found that cannabinoids inhibit TAT induced migration to TAT via cannabinoid 2 receptors (CB2) which has potential applications in HIV and other infectious diseases.

In November 2013, Cannabis Science submitted patent application N2010968 in Europe entitled "Composition for the Treatment of Neurobehavioral Disorders." The subject of the patent is development of cannabinoid-based formulations to treat a variety of neurobehavioral disorders, such as attention deficit hyperactivity disorder (ADHD) and anxiety. The first formulation in the series of neurobehavioral disorder-targeted products is the pre-clinical development and use of the invention in food products through a licensing agreement with a strategic partner and related company, OmniCanna Health Solutions, Inc. And Cannabis Science will move forward at the same time with pharmaceutical grade product development.

Cannabis plants have extensive history of medical and agricultural use dating back thousands of years.

To date hundreds of natural constituents covering several chemical classes have been isolated and identified from the Cannabis plant.

Some key phytocannabinoids are:

- tetrahydrocannabinol (THC)
- cannabidiol (CBD)
- cannabigerol (CBG)
- cannabichromene (CBC)
- cannabinol (CBN)

These cannabinoids belong to the chemical class of terpenophenolics, of which 85 have been uniquely identified in cannabis, including the most psychoactive cannabinoid, THC.

Some applications of cannabinoids have been well established in peer-reviewed literature such as for alleviating nausea and stimulating the appetite for people with AIDS and cancer. Other well-known uses include easing chronic pain and reducing muscle spasms associated with multiple sclerosis and spinal cord injuries.

The pharmacology of THC has been widely studied, while many other identified cannabinoids are still poorly characterized pharmacologically and biologically, with new activities for cannabinoids consistently being discovered.

Cannabis Science is developing novel cannabis based approaches to treat the world's most deadly illnesses. We learn from patients about the healing properties of cannabis medicines. Our immediate focus is the development of cutting edge cancer treatments.

The Company's future endeavors include infectious illnesses, neurobehavioral disorders including attention deficit disorder, post-traumatic stress disorder; and an application of the anti-inflammatory activities of cannabis in the management of age-related illnesses.

The endocannabinoid system possessed by all vertebrates regulates all body systems and maintains homeostasis. As such, the mechanisms of phytocannabinoids' biological impact are multidimensional.

While concentrating on our core activities of discovering and developing treatments that will make a meaningful difference in patients' lives, we remain mindful that we have other responsibilities to the clinicians who utilize our drugs, health authorities around the world, our shareholders, our employees, and the communities in which we live and work. We continually strive to improve our corporate responsibility standards and activities, implementing comprehensive ethical standards and undertaking patient and community progressive initiatives.

These principles reflect the mission of Cannabis Science to provide innovative therapeutics for unmet medical needs.

As the industry leader, Cannabis Science consults and leads other emerging businesses that Cannabis Science believes has a preferred business model, one which will mature into a key business model in the future. Our consulting is on the entire "seed to sale" process with a focus on bio-pharmaceutical development.

Cannabis Science is one of the longest standing companies in the cannabis business.

We feel that the correct way is to look at the industry from a bio-pharmaceutical standpoint, in a manner that allows cannabinoid-based products to modulate the endocannabinoid system to treat multiple conditions.

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.

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, 2010, 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 OTC: CBIS.

The Company formed two operating subsidiaries Cannabis Science BV and Cannabis Science International Holding BV in The Netherlands on May 10th and May 6th, 2013, respectively, to pursue business opportunities in Europe and worldwide.

There are minimal operating activities in the subsidiaries as of June 30, 2017,. Mario Lap, a director of the Company and director and officer its European subsidiaries, is conducting various business activities of the Company in Spain under his personal name and/or his personal holding companies MLS Lap B.V., MJR B.V. and Cannabis Agency B.V. until such time as the Company is able to establish a Spanish subsidiary to conduct its own business operations and activities, including but not limited to: operating lease for farms, asset purchases, office and equipment, personnel employment and other business and operating activities as may be required from time-to-time.

On August 6, 2014, the Company signed a proposal letter with Michigan Green Technologies, LLC (“MGT”) to acquire an additional 30.1% equity in MGT that would increase the Company’s equity ownership to 50.1%. As consideration for acquiring the additional 30.1% equity, the Company issued a total of twenty million (20,000,000) shares to the principals and shareholders of MGT over 12 months (see Form 8-K with the SEC on file no. 000-28911 August 8, 2014).

On January 5, 2015 the Company announced the International release of 8 initial products that will be synergistically produced, distributed and marketed across the Netherlands, Spain and California where Cannabis Science is active and has cannabis production facilities. The products are currently ready for pre-clinical studies, self-medicating patient ailment usage, marketing release, sales and distribution. The company also released The Cannabis Science Patient Access Center (PAC) <http://pac.cannabisscience.com>, in beta version, is now available for patients to track usage and receive updates.

On May 7, 2015 the Company announced the Assets acquisition of Equi-Pharm LLC, a USA manufacturer and distributor of specialty horse and pet grooming and topical applications. The acquisition incorporates an extensive expansion plan for Equi-Pharm including "Large Animal" such as horses, cattle, sheep and the like and "Small Animal" or "Pets" include cats, dogs, pet snakes and the like for medical and cosmetic products. As consideration for acquiring the Assets, which consist of Inventory, Trademark and brand names, and goodwill, the Company issued ten million (10,000,000) shares to the shareholders of Equi-Pharm and agreed to change its company name. The acquisition was completed on November 16, 2015 and the Company has formed a new wholly owned subsidiary called Equi-Pharm LLC. The Company is working closely with management of Equi-Pharm to expand the product lines.

On May 19, 2015 Cannabis Science announced the expansion of licensing deal with Purple Haze Properties. Cannabis Science and Purple Haze Properties are working together to launch exciting lines of quality cannabis products using scientific genetics and creating an education platform to share information from doctors and patients around the world about the advances of cannabis research.

On May 27, 2015 the Company announced a Historic Collaborative Drug Development deal with IGXBio and its GenePro®, a DNA-based immunotherapeutic that recently received FDA IND approval to enter into human trials. The companies intend to develop a joint protocol to demonstrate potential synergistic effects of their respective drug candidates in HIV, as well as potential new drug candidates. IGXBio is a privately held clinical stage biotechnology company developing advanced DNA immunotherapies for HIV infection, based in Fairway, KS, USA.

On July 16, 2015 Cannabis Science announced guidance in regards to its State-by-State initiatives, including its new product releases. On the forefront are the California new product releases. The Company has signed a research and distribution agreement with Cannabis Science Research Foundation (CSRF). The CSRF will be responsible for the release and distribution of the CBIS products for its initial State-by-State initiatives in California. The CSRF distribution agreement is due to the committed focus CBIS has on its federal drug development program. As a result of this new agreement with CSRF the Cannabis Science Patient Access Center will be moved to the CSRF website as well.

On November 2, 2015, the Company announced a significant collaborative drug development deal with IGXBio Inc., and its GenePro®, a DNA-based immunotherapeutic that recently received FDA IND approval to enter into human trials. The companies developed joint protocols that explore potential synergistic effects of their respective drug candidates, as well as potential new drug candidate opportunities. IGXBio has a drug called GenePro®, which is already registered with the FDA and has an IND number. This expedites the process to seek FDA approval in the future. GenePro® is designed to promote an anti-HIV immune response that facilitates virus control in HIV-infected subjects. There are more than 150 peer-reviewed publications that describe the effectiveness of GenePro®. The inflammatory response that is associated with HIV infection is present at even low levels of viral replication, and is a major causal factor for the morbidities and associated mortality of HIV infection. Low-grade inflammation frequently occurs despite clinically successful anti-retroviral therapy and is associated with increased incidence of heart disease, bone disease, and cancers.

On November 11, 2015, Cannabis Science announced the release of seven original cannabinoid-based animal care products through its wholly owned subsidiary, Equi-Pharm, LLC.

On November 25, 2015, the Company announced positive results from its initial test run of its Pure Decarboxylated CO2 Oil (PDCO) released through the Cannabis Science Research Foundation (CSRF or the Foundation) to 15 dispensaries and several less fortunate self-medicating patients. This trial, collaborative rollout by CSRF, as contracted by Cannabis Science to the California not-for-profit, was designed to meet two primary goals. The first, to conduct tests on the efficacy of the product for patients; the second, to gather proprietary data based on testimonials from real self-medicating consumers from their firsthand experiences. The feedback received will be used to influence the Company's continuing efforts to bring the best cannabinoid-based formulations to market. On November 30, 2015 Cannabis Science announced the launch of their cannabinoid-formulated capsule product line. The initial capsule formulations released are CBD, Indica, and Sativa; each of the three types of caps will be available in 25mg, 50mg, and 100mg doses and will be provided in two-dose packs with more size options to be made available in the near future.

On December 10, 2015, the Company announced that Cannabis Science entered Select, New High-Dosage product line of CBD, Sativa, and Indica Capsules into the Industry-Famous Emerald Cup Event in Santa Rosa, CA on December 12th and 13th.

On December 15, 2015 after successful formulation work, Cannabis Science follows through with a full clinical drug development agreement with ImmunoClin to deliver GMP quality pre-clinical data to enter CS-NEURO-1 into a Phase I human study in Europe. After ImmunoClin successfully completed its one-year formulation work for CBIS, focusing on cannabis extracts and cannabinoids, the results are compelling and conclusive. ImmunoClin will, under its class I license, initiate, manage, and coordinate all aspects of the new comprehensive clinical research program on behalf of Cannabis Science. The new program will focus on delivering compliant GMP quality pre-clinical data, including cultivation of CBIS specific cannabis strains, formulation and manufacturing of clinical grade material to enable entry of CS-NEURO-1 and other cannabinoid based products into a Phase I human studies in Europe.

On March 24, 2016, the Company entered a 15 years Joint Venture License Agreement with the Ft. McDermitt Allotment land Allotees, which is on the Ft. McDermitt Tribal Reservation, Raymond C. Dabney University, American Education Consulting Group and Cannabis Science, Inc. for a total of ten (10), one (1) acre parcels of land. The project is designed to benefit both the Ft. McDermitt Tribe and Members, and Allotment Allotees. Cannabis Science made an initial payment of \$50,000 for farming rights and initial development of the first two one (1) acre parcel of land located in Fort McDermitt Tribal Reservation in the State of Nevada, USA. Each one (1) acre parcel of land is specifically designated for placement no more than twelve (12) three (3,000) square foot greenhouses for the production of Cannabis and all Cannabis related products. All harvested products are to be delivered and sold to qualified licensed distribution centers. The Company is to share 40% of the Adjust Gross Income after deduction of related operating expenses and cost to build the green houses.

On October 24, 2016, the Company entered an Exclusive Master Facilitator Agreement with Members of Winnemucca Tribal Allotment, Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing of Cannabis/Hemp on 320 Acres of leased land in Humboldt County, Nevada. The Company's share is 40% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on these lands. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is five (5) years and up to twenty-five (25) years.

On November 12, 2016, the Company entered an Exclusive Master Facilitator Agreement with the Members of Washoe Tribal Allotments in Douglas County, Nevada, together with Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing Cannabis/Hemp with Free Spirit Organics, LLC on Lot 20, one (1) acre parcel of leased land located in the allotment cc183, a portion of the SE $\frac{1}{4}$ of section 15, township 11 North, Range 21, East Mount Diablo Meridian, Douglas County of Nevada. The Company's share is 20% on all initial non-refundable deposits from external investor, and 10% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on the land. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is twenty-five (25) years renewable every five (5) years. On December 21, 2016, the Company paid \$40,000 to the property owner under the agreement for the one (1) acre of land.

On December 18, 2016, the Company entered six (6) Exclusive Master Facilitator Agreements for cultivation of Medical Marijuana/Hemp with the Members of Washoe Tribal Allotments in Douglas County, Nevada, together with Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing Cannabis/Hemp with Free Spirit Organics, LLC on 13 one (1) acre parcels of leased land, Lot 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13 and 14, located in the allotment cc183, a portion of the SE ¼ of section 15, township 11 North, Range 21, East Mount Diablo Meridian, Douglas County of Nevada. The Family Allotment will receive \$40,000 per acre Good Faith Non-Refundable Deposit per development site. The Company's share is 20% on all initial non-refundable deposits from external investor, and 10% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on the land. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is twenty-five (25) years renewable every five (5) years. On December 23, 2016, the Company paid \$100,000 to the property owner members under the agreements and recorded the unpaid balance of \$420,000 in accounts payable.

On December 21, 2016, the Company entered two (2) Exclusive Master Facilitator Agreements for cultivation of Medical Marijuana/Hemp with the Members of Washoe Tribal Allotments in Douglas County, Nevada, together with Free Spirit Organics, LLC, American Education Consulting Group and Raymond C. Dabney University to provide general support with developing, cultivating and processing Cannabis/Hemp with Free Spirit Organics, LLC on two (2) one (1) acre parcel of leased land, Lot 6 and 21, located in the allotment cc183, a portion of the SE ¼ of section 15, township 11 North, Range 21, East Mount Diablo Meridian, Douglas County of Nevada. The Family Allotment will receive \$40,000 per acre Good Faith Non-Refundable Deposit per development site. The Company's share is 20% on all initial non-refundable deposits from external investor, and 10% of net profit derived from the sale and distribution of Cannabis/Hemp products grown and manufactured on the land. Under the agreement, the Company will be provided one (1) acre of land for research and development with placement of no more than 36,000 square feet of greenhouses used for cultivation and research of Cannabis/Hemp. The term of this Exclusive Master Agreement is twenty-five (25) years renewable every five (5) years. On December 23, 2016, the Company paid a total of \$45,000 to the two property owners under the agreements and recorded the unpaid balance of \$35,000 in accounts payable.

On January 3, 2017, the Company entered a Research Collaboration Agreement with Dana-Farber Cancer Institute, Inc. of Boston Massachusetts for a research project to develop and investigate the use of Cannabinoids to cure various cancer, and investigate synergies with radiotherapy and immunotherapy. In consideration for this Agreement and performance of the Research, the Company has paid \$201,656 to Dana-Farber Cancer Institute, Inc.

On February 2, 2017, the Cannabis Science GmbH, a subsidiary 90% owned by the Company and 10% owned by Dupetit Natural Products GmbH, has entered a Share Purchase Agreement with Jinvator BioMed GmbH (Jinvator), a German corporation, for 74.9% of the total issued and outstanding shares of Jinvator for three hundred thousand Euros (€ 300,000) which has a US dollar equivalent of \$324,300. The acquisition is pending on verifications of key information.

On May 10, 2017, the Company paid €60,000, which has a US dollar equivalent of \$65,214, to the principal shareholder of Jinvator BioMed GmbH (Jinvator) as deposit for the purchase of the 74.9 equity interest in Jinvator.

On April 27, 2017, the Company entered a five-year Research Collaboration Agreement with DFCI for a research project to develop and investigate the use of Cannabinoids to cure various forms of cancer and investigate synergies with radiotherapy and immunotherapy. In consideration for this agreement and performance of the research, the Company is obligated to pay DFCI a total of \$1,834,062 over the life of the agreement with \$159,287 due at signing and \$418,683 to be paid at each anniversary of the agreement for the next four years.

On May 18, 2017, the Company entered an Exclusive Master Facilitator Agreement with Winnemucca Tribal MBS of Nevada, Free Spirit Organics, LLC (FSO), American Education Consulting Group, Raymond C. Dabney University (RCDU), American States University and Royalty Management Services Corp. (RMS) to lease and develop 250 Acres of land located in Holt, California for 15 years. As a master facilitator, the Company will provide general support with developing, cultivating and processing Industrial Hemp for RCDU and FSO on the property. Pursuant to the

agreement, the Company and RMS are responsible for a \$400,000 non-refundable deposit and the development and operations on the property on 50-50 basis. Additionally, the Company will share 40% of net profit as investor with RMS and retain 5% of net profit as master facilitator.

The Company is working on several business acquisition and development projects to increase business and revenue generation in 2017 and beyond, including but not limited to: product licensing and royalty agreements, private label hemp product line, consulting, and other strategic acquisitions to support product development, production, and distribution of newly acquire or manufactured cannabis and hemp based products. There can be no assurance that these will be successful in generating revenues in 2017.

Liquidity

The Company has a working capital deficit of \$4,670,849 as of June 30, 2017, compared to a working capital deficit of \$2,983,206 as of December 31, 2016. There are insufficient liquid assets to meet current liabilities or sustain operations through 2016 and beyond and the Company must raise additional capital to cover the working capital deficit. Management is working on plans to raise additional capital through private placements and lending facilities. The Company currently is relying on existing cash and loans from stockholders to meet its obligations and sustain operations.

The Company has promissory note payment commitments of \$1,340,156 due to stockholders and currently is in default. The Company is negotiating with the debtors to extend the notes payable. In addition, the Company has convertible promissory notes payment commitment of \$670,407 to Raymond C. Dabney, CEO/Director of the Company and \$1,235,790 to Royalty Management Services Corp.

Contractual Obligations

The Company has various commitments under consulting contracts, debt settlement, farming rights agreements, laboratory services agreement, joint development, and joint venture agreement.

Capital Resources

The Company has additional capital resource requirements for personnel, supplies, research and development, laboratory, cultivation equipment, green houses and scientific equipment of approximately \$6,000,000 over the next 12 months. These capital disbursements are dependent on management's successful raising of capital through private placements and/or lending facilities.

The Company is not currently in good short-term financial standing. We anticipate that we may only generate limited revenues in the near future and we will not have enough positive internal operating cash flow until we can generate substantial revenues, which may take the next two years to fully realize. There is no assurance we will achieve profitable operations. We have historically financed our operations primarily by cash flows generated from the sale of our equity securities and through cash infusions from officers and outside investors in exchange for debt and/or common stock.

Results of Operations

For the six months ended June 30, 2017 (“2017”) as compared to the prior year six months ended June 30, 2016 (“2016”):

The Company had \$3,985 in revenues for the 2017 compared to \$5,787 for 2016. This decrease in revenue was due to reduction of sales of Equi-Pharm and license revenue from product sales.

Our research and development expenses increased by \$127,295 to \$385,832 for the six months ended June 30, 2017 compared to \$258,537 for the six months ended June 30, 2016.

Our unrealized loss on equity investee increased by \$51,750 to \$51,750 for the six months ended June 30, 2017 compared to \$0 for the six months ended June 30, 2016.

Net loss on settlement of debt decreased by \$588,645 to \$0 for the six months ended June 30, 2017 compared to \$588,645 for the six months ended June 30, 2016.

General and administrative expenses increased by \$1,351,688 to \$5,132,856 for the six months ended June 30, 2017 compared to \$3,781,168 for the six months ended June 30, 2016. This increase was due to higher share prices in the stock compensation expense pursuant to management consulting and bonus agreements.

The Company is working on several business development projects to generate revenues, including: investing in the cultivation of leased properties with Members of the Washoe Tribal Allotment, Winnemucca Tribal Allotment, HRM Farm and Free Spirit Organics, LLC in Nevada and California that will generate increased license, royalty revenue, Cannabis/Hemp products sales, and other strategic acquisitions to support product development, production, and distribution of newly acquired or manufactured cannabis and hemp based products. The Company's drug development through its laboratory services to facilitate new inhalation study for asthma/COPD and other respiratory conditions. In addition, the Company signed an agreement with Equi-Pharm for the commercialization of pet products for distribution in California. Notwithstanding, there can be no assurance that these will be successful in generating revenues in 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

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 last fiscal quarter 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. BUSINESS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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.

As used in this Form 10-Q, the terms "we", "us", "our", "the Company", and "Cannabis Science" mean Cannabis Science, Inc., unless otherwise indicated.

All dollar amounts refer to U.S. dollars unless otherwise indicated.

Overview

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. 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. On March 25, 2008 the Company changed its name to Gulf Onshore, Inc. On April 6, 2009, the Company changed its name to Cannabis Science, Inc., and obtained a new CUSIP number.

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

Currently, the Company's common shares are trading under the OTC Pink Sheets market with symbol CBIS.

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.

ITEM 1A. RISK FACTORS

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding any statement in this Form 10-Q or elsewhere. The following information should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-Q.

Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

The Company is subject to laws and regulations worldwide, changes to which could hinder the Company's medical cannabis research and increase the Company's costs and individually or in the aggregate adversely affect the Company's business.

The Company is subject to laws and regulations affecting its domestic and international operations in medical research and production of medical cannabis. These U.S. and foreign laws and regulations affect the Company's activities including, but not limited to, areas of sales to only certain legalized regions, labor, advertising, digital content, product label, consumer protection, billing, e-commerce, promotions, quality of services, media, television, intellectual property ownership and infringement, tax, import and export requirements, foreign exchange controls and cash repatriation restrictions, environmental, health, and safety.

By way of example, laws and regulations related to cannabis in United States is listed under Schedule 1 of the Drug Enforcement Administration (DEA) as defined under the United States Controlled Substances Act even though there are 20 states have legalized medical marijuana and eight states legalized for recreational use.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation could individually or in the aggregate make the Company's products and services less attractive to the Company's customers, delay the introduction of new products in one or more regions, or cause the Company to change or limit its business practices. The Company has implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance that the Company's employees, contractors, or agents will not violate such laws and regulations or the Company's policies and procedures.

Risk related to Liquidity and Capital Resources: Although our financial statements have been prepared on a going concern basis, we must raise additional capital before September 30, 2017 to fund our operations in order to continue as a going concern.

Turner, Stone & Company, L.L.P., our independent registered public accounting firm for the fiscal year ended December 31, 2016, has included an explanatory paragraph in their opinion that accompanies our audited financial statements as of and for the year ended December 31, 2016, indicating that our current liquidity position raises substantial doubt about our ability to continue as a going concern. If we are unable to improve our liquidity position we may not be able to continue as a going concern. The accompany consolidated financial statements do not include any adjustments that might result if we are unable to continue as a going concern and, therefore, be required to realize our assets and discharge our liabilities other than in the normal course of business which could cause investors to suffer the loss of all or a substantial portion of their investment.

We anticipate that our principal sources of liquidity will only be sufficient to fund our activities needs through September 30, 2017. In order to have sufficient cash to fund our operations beyond September 30, 2017, we will need to raise additional equity or debt capital by September 30, 2017 in order to continue as a going concern and we cannot provide any assurance that we will be successful in doing so.

Our stockholders are subject to significant dilution upon the occurrence of certain events which could result in a decrease in our stock price.

As of June 30, 2017, we had approximately 1.906 billion shares of our common stock reserved or designated for future issuance upon conversion of outstanding convertible promissory notes. Further, we may from time to time make an offer to our debtors or consultants to exchange their outstanding debts or services for shares of our common stock. Any future issuance of common shares will have a further dilutive effect on our existing stockholders and could result in a decrease in our stock prices.

Investment in new business strategies and acquisitions could disrupt the Company's ongoing business and present risks not originally contemplated.

The Company has invested, and in the future may invest, in new business strategies or acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return of capital, and unidentified issues not discovered in the Company's due diligence. These new ventures are inherently risky and may not be successful.

The Company's stock price is subject to volatility.

The Company's stock continues to experience substantial price volatility. Additionally, the Company, the medical cannabis industry, and the stock market as a whole have experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to these companies' operating performance.

The Company's ability to raise additional capital to fund operations

The Company is required to raise additional funds to acquire research and growing facilities, and to cover cost of operations. We intend to do so through additional public or private offerings of debt or equity securities. There are no commitment or arrangements for other offerings in place, no guaranties that any such financings would be forthcoming or as to the terms of any such financings.

ITEM 2. LEGAL PROCEEDINGS

None.

ITEM 3. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the six months ended June 30, 2017, we have issued securities using exemptions available under the Securities Act of 1933:

As set out below, we have issued securities in exchange for services:

On February 16, 2017, the Company issued 5,000,000 shares of R144 restricted common stock to a consultant with a fair market value of \$350,000 for legal and general consulting services under a consulting agreement dated January 13, 2017.

On February 16, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock to a consultant with a fair market value of \$700,000 for legal and general consulting services under a consulting agreement dated January 13, 2017.

On February 16, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.05 and a fair market value of \$700,000 to a consultant under a consulting agreement dated January 13, 2017.

On February 28, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.04 and a fair market value of \$815,000 to Alfredo Dupetit-Bernardi, President/CEO of Cannabis Science Europe GmbH under an Option Agreement dated January 24, 2017.

On March 2, 2017, the Company issued 3,000,000 shares of R144 restricted common stock to a consultant with a fair market value of \$238,500 for consulting services under a consulting agreement dated March 2, 2017.

On March 7, 2017, the Company issued 15,000,000 shares S-8 registered free trading common stock under the 2016 Equity Award Plan B with a fair market value of \$1,270,500 for consulting services under a consulting agreement dated March 7, 2017.

On March 13, 2017, the Company issued 10,000,000 shares S-8 registered free trading common stock under the 2016 Equity Award Plan B with a fair market value of \$883,000 for consulting services under a consulting agreement dated July 6 2016.

On March 13, 2017, the Company issued 15,000,000 shares S-8 registered free trading common stock under the 2016 Equity Award Plan B with a fair market value of \$1,324,500 for consulting services under a consulting agreement dated April 29, 2015.

On March 27, 2017, the Company issued 15,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.075 and a fair market value of \$1,140,000 to a consultant under an Option Agreement dated March 27, 2017.

On April 18, 2017, the Company issued 10,000,000 shares S-8 registered free-trading common stock under an Option Agreement of 2016 Equity Award Plan B with exercise price at \$0.02 and a fair market value of \$829,000 to Chief Medical Officer, Dr. Allen Herman.

On May 5, 2017, the Company issued 7,000,000 shares of R144 restricted common stock to a consultant with a fair market value of \$469,000 for consulting services pursuant to a one year consulting agreement.

On May 17, 2017, the Company issued 1,500,000 shares of R144 restricted common stock to a consultant with a fair market value of \$93,000 for consulting services pursuant to a three-month Marketing agreement.

ITEM 4. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. MINE SAFETY DISCLOSURES

N/A

ITEM 6. OTHER INFORMATION

See Financial Statement Notes 4 in regards to stock compensation for officers and directors.

ITEM 7. EXHIBITS

| Exhibit No. | Document Description | Filed Herewith (X) Incorporated by ref (I) |
|--------------------|---|---|
| 31.1 | Certification by Raymond C. Dabney, Chief Executive Officer, as required under Section 302 of Sarbanes-Oxley Act of 2002. | X |
| 31.2 | Certification by Benjamin Tam, Chief Financial Officer, as required under Section 302 of Sarbanes-Oxley Act of 2002. | X |
| 32.1 | Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | X |
| 32.2 | Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | X |
| 99.1 | Promissory Notes | X |
| EX-101.INS | XBRL Instance Document | X |
| EX-101.SCH | XBRL Taxonomy Extension Schema | X |
| EX-101.CAL | XBRL Taxonomy Extension Calculation Linkbase | X |
| EX-101.LAB | XBRL Taxonomy Extension Label Linkbase | X |
| EX-101.PRE | XBRL Taxonomy Extension Presentation Linkbase | X |
| EX-101.DEF | XBRL Taxonomy Extension Definition Linkbase | X |

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.

CANNABIS SCIENCE
INC.

Date: August 23, 2017 */s/ Raymond C.*
Dabney
Raymond C. Dabney
Chief Executive Officer

Date: August 23, 2017 */s/ Benjamin Tam*
Benjamin Tam
Chief Financial Officer

