

CANNABIS SCIENCE, INC.  
Form 10-K/A  
April 15, 2019

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

**FORM 10-K/A**

**Amendment No. 2**

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2016**

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 000-28911**

**CANNABIS SCIENCE, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or Other Jurisdiction of Incorporation of Organization)

**91-1869677**

(I.R.S.

Employer

Identification

No.)

**19800 MacArthur Blvd., Suite 300, Irvine, California 92612 (888)-263-0832**

(Address of principal executive offices) (ZIP Code)

(Registrant's

telephone

number,

including area

code)

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Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes **No**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes **No**

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 shorter period that the registrant as required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **No**

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **Yes** **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes **No**

As of September 30, 2016, which was the last business day of the registrant's most recent third fiscal quarter, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was \$30,623,608 based on the closing sale price of \$0.0162 per share on that date. For the purposes of the foregoing calculation only, all directors, executive officers, related parties and holders of more than 10% of the issued and outstanding common stock of the registrant have been deemed affiliates.

Number of common shares outstanding at July 14, 2017: 2,466,805,296

Number of common shares outstanding at December 31, 2016: 2,350,355,296

Number of Class A common shares outstanding at July 14, 2017: 0

## **EXPLANATORY NOTE**

This Amendment No. 2 of Form 10-K/A for the year ended December 31, 2016, amends in its entirety the Annual Report on Form 10-K/A1 that was filed on August 11, 2017, to reflect an amendment to Note 5 of the Company's financial statements for the year ended December 31, 2016 (the "2016 Financial Statements"). The amendment adds to Note 5 – Related Party of the financial statement for disclosure of "Convertible Notes Payable to Royalty Management Services Corp. being a company owned by Mr. Kaalo C. Dabney, an independent child and non-affiliate of Mr. Raymond C. Dabney, CEO/Director of the Company, entered into a management agreement with the Company on September 15, 2015 for internet and software development, websites development and maintenance, payments of various operational expenses including travel, telephone, bookkeeping services, secretarial service and payment services totaled \$860,790 at December 31, 2016. See Note 6. Total services fees were \$900,000 and \$262,500 for the years ended December 31, 2016 and 2015, respectively. Under US GAAP, i.e. FASB Accounting Standards Codification (ASC) 850-10-50, Royalty Management Services Corp. is considered a related party. However, in the opinion of the Company's legal counsel, under the US Securities Act of 1933, Regulation S-K, Item 404(a) (17 CFR § 229.404(a)), Royalty Management Services Corp. and Mr. Kaalo C. Dabney are not considered related parties."

**CANNABIS SCIENCE, INC.**

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## **PART I**

### **ITEM 1. BUSINESS**

#### **Forward-looking Statements**

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable laws, including the securities laws of the United States, we do not intend to update any of the forward-looking statements so as to conform these statements to actual results.

As used in this annual report, 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-K 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-K.

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 December 31, 2016, we had approximately 1.53 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. PROPERTIES**

We currently lease office space at 19800 MacArthur Blvd., Suite 300, Irvine, California 92612 , on a month to month basis.

## **ITEM 3. LEGAL PROCEEDINGS**

As of March 11, 2017, there are not any material pending legal proceedings, other than ordinary routine litigation incidental to our business or those operating under our acquired trade names GGECO University, Cannabis Consulting or Equi-Pharm are a party or of which any of our properties is the subject.

In January 2016, the Company received threats of legal action by a former consultant. No subsequent legal action or proceedings have materialized against the Company and management is of the opinion that there is no merit in the action due to non-performance of services by the consultant.

Our management is not aware of any legal proceedings and/or inquiries contemplated by other any governmental authority against us.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

#### **ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Our common stock is not traded on any exchange. Our common stock is quoted on the OTC Pink Sheets Open Market, under the trading symbol “CBIS”. The market for our stock is highly volatile. We cannot assure you that there will be a market in the future for our common stock. The Pink Sheets Open Market securities are not listed and traded on the floor of an organized national or regional stock exchange. Instead, Pink Sheets Open Market securities transactions are conducted through a telephone and computer network connecting dealers in stocks. Pink Sheets Open Market is for all types of companies that are there by reasons of default, distress or design, which is are further sub-categorized by the levels of information provided. Traditionally companies that do not meet the financial and other listing requirements of a regional or national stock exchange are listed and traded on the Pink Open Market.

The following table shows the high and low prices of our common shares on the OTC Pink Sheets Open Market for each quarter within the two most recent fiscal years. The following quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions:

<u>Fiscal Year Ending December 2015</u>	<u>HIGH</u>	<u>LOW</u>
Quarter Ending March 31, 2015	0.045	0.0415
Quarter Ending June 30, 2015	0.221	0.0205
Quarter Ending September 30, 2015	0.027	0.0250
Quarter Ending December 31, 2015	0.015	0.0142

<u>Fiscal Year Ending December 2016</u>	<u>HIGH</u>	<u>LOW</u>
Quarter Ending March 31, 2016	0.0246	0.0213
Quarter Ending June 30, 2016	0.0161	0.0138
Quarter Ending September 30, 2016	0.0168	0.0144
Quarter Ending December 30, 2016	0.0673	0.0629

### **Holders**

As of December 31, 2016, there were over 3,200 stockholders of record, including CEDE & Co., which holds shares for the beneficial interest of an unknown number of stockholders in brokerage accounts.

### **Dividends**

The Company declared a dividend to all common stockholders of record as of December 31, 2010, whom are to receive a dividend equivalent to ten percent (10%) of the number of common shares of the Company's stock held on that date in the form of newly issued Series A common shares. For example, if a stockholder held 100,000 common shares on December 31, 2010, that stockholder would receive a dividend of 10,000 Series A common shares. This dividend declaration has been rejected by the Financial Industry Regulatory Authority (FINRA).

On October 28, 2015, subject to the approval by FINRA, the Company announced: 1) the issuance of a new dividend to common stockholders of record on October 9 2015 1 share of Class A common stock and 1 non-transferable share purchase warrant for each 100 shares of current class of common stock. Each warrant will grant the holder to purchase an additional share of Class A common stock at a price of \$1.00 per share. The warrant would be exercisable for 90 days from the date that the Class A common stock receives a trading symbol. 2) the issuance of dividend to previously

announced and approved dividend to stockholders of record on December 10, 2010 1 share of Class A common stock and 1 non-transferrable share purchase warrant for each 10 shares of the Company's current common stock. Each warrant will also grant the holder to purchase an additional share of Class A common stock at a price of \$1.00 per share. The warrant would be exercisable for 90 days from the date that the Class A common stock receives trading symbol. This dividend declaration has been rejected by the Financial Industry Regulatory Authority (FINRA).

On March 4, 2016, in a News Release announced by President & CEO, Mr. Raymond C. Dabney that Mr. Dabney will gift his personal common shares of the Company to Shareholders to replace both previously announced dividends due to the refusal of the Financial Industry Regulatory Authority (FINRA).

The Company does not anticipate paying cash dividends or making distributions in the foreseeable future.

We currently intend to retain and reinvest future earnings, if any, to finance and expand our operations.

### **Recent Sales of Unregistered Securities**

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 year ended December 31, 2016, the Company issued stock pursuant to consulting agreements with several parties as follows:

On February 1, 2016, the Company entered a management agreement with a consulting firm and agreed to issue 15,000,000 shares of R144 restricted common stock with a fair market value of \$180,000 for investor relation services. The shares were issued on April 7, 2016.

On March 8, 2016, the Company issued 18,000,000 shares R144 restricted common stock to Raymond Dabney, CEO of the Company with a fair market value of \$193,842 for bonus under November 5, 2014 management agreement.

On March 8, 2016, the Company issued 20,000,000 shares R144 restricted common stock to MLS Lap BV, a company controlled a director of the Company with a fair market value of \$215,380 for bonus under June 24, 2013 management agreement.

On March 8, 2016, the Company issued 20,000,000 shares R144 restricted common stock to Chad Johnson, former COO/General Council till September 14, 2016 with a fair market value of \$215,380 for bonus and services under November 25, 2014 agreement.

On March 8, 2016, the Company issued 20,000,000 shares R144 restricted common stock to Robert Kane, COO/director of the Company with a fair market value of \$215,380 for bonus and services under January 20, 2015 agreement.

On March 22, 2016, the Company issued 10,000,000 shares of S-8 registered free-trading common stock under Scientific Advisory Board Agreement of the 2016 Equity Plan with a fair market value of \$151,000.

On May 16, 2016, the Company issued 5,000,000 shares R144 restricted common stock and 2,500,000 shares of S-8 registered free-trading common stock under an Application Development and Consulting Management Agreement of the 2015 Equity Award Plan with a fair market value of \$86,250.

On May 16, 2016, the Company issued 10,000,000 shares R144 restricted common stock under an International Government Affairs Board Member Agreement with a fair market value of \$151,000.

On July 26, 2016, the Company issued 7,500,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$90,000 for bonus and services under October 21, 2015 agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$60,000 for bonus and services under March 16, 2015 agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$60,000 for bonus and services under September 18, 2015 agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$69,000 for bonus and services under July 4, 2016 Consulting Management Agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$60,000 for bonus and services under July 6, 2016 International Property Development Consulting Agreement.

On July 26, 2016, the Company issued 2,500,000 shares of S-8 registered free-trading common stock to Robert Kane, COO/director of the Company with a fair market value of \$30,000 for Management Fees under January 20, 2015 Executive Management Agreement.

On August 3, 2016, the Company issued 2,500,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$38,500 for services under August 3, 2016 Consulting Agreement.

On September 14, 2016, the Company issued 5,000,000 shares of R144 restricted common stock to Benjamin Tam, CFO/Secretary/Director of the Company with a fair market value of \$70,000 for services under September 14, 2016 Executive Management Agreement.

On October 9, 2016, the Company issued 1,000,000 shares of R144 restricted common stock to a consultant with a fair market value of \$19,900 for services under October 9, 2016 Consulting Agreement.

On October 21, 2016, the Company issued 15,000,000 of S-8 registered free trading common stock to a consultant under 2016 Equity Award Plan B with a fair market value of \$855,000 for services under October 21, 2016 Consulting Agreement.

During the year ended December 31, 2016, the Company issued stock pursuant to debt settlement agreements as follows:

On February 7, 2016, the Company entered a partial debt settlement agreement with Stacey R. Lewis to retire \$45,855 of the \$75,044 in promissory notes originated on March 21, 2015 and issued 45,000,000 shares of common stock to partially settle the debt for a loss on settlement of \$588,645.

On August 10, 2016, the Company entered into a partial debt settlement agreement with Raymond C. Dabney, President/CEO/Director of the Company, to convert \$250,000 of the \$975,407 in convertible promissory notes originated on August 9, 2016 as result of unpaid management fees and bonuses from February 9, 2012 to June 30, 2016 with no interest, and issued 250,000,000 Rule 144 restricted common shares of the Company at a deemed price of \$0.001 per share as partial payment of the promissory note to settle the debt for a maximum intrinsic interest of \$975,407 to be amortized over life of the convertible note in accordance with ASC 470-30-8.

The aforementioned shares for the settlement of debts were issued without legend under an exemption under Rule 144(b)(1) of the Act. Over six months has passed since the debts accrued on the books of the Company; the Seller is not now, and during the three-month period preceding the transaction has not been considered an “affiliate” of the Company. Furthermore, pursuant to Rule 144(d)(1)(i) the Company is, and has been for a period of at least 90 days immediately before the proposed sale, subject to the reporting requirements of section 13 or 15(d) of the Securities and Exchange Act of 1934, and the proposed resale of the Shares in addition to the Company not being considered a shell company under Rule 144(i)(1). All relating shares were issued to settle the debts.

During the twelve months ended December 31, 2016, the Company issued stock pursuant to amendment to a property license agreement as follow:

On January 11, 2016, the Company issued 15,500,000 shares of R144 restricted common stock to Apothecary Genetics Investments with a fair market value of \$181,350 for amendment to a property license agreement on February 9, 2012.

During the twelve months ended December 31, 2016, the Company issued 7,500,000 common stock for legal retainer services under consulting agreement as follows:

On August 3, 2016, the Company issued 7,500,000 shares of S-8 registered free-trading common stock to a legal advisor as retainer with a fair market value of \$90,000 for legal services under July 22, 2016 Consulting Agreement.

#### **ITEM 6. SELECTED FINANCIAL DATA**

Not applicable.



## **ITEM 7. MANAGER'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Form 10-K, the words "anticipate", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks, uncertainties and assumptions including the possibility that the Company's proposed plan of operation will fail to generate projected revenues. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. The Company's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in the Company's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.

### **General**

The Company is committed to research and development of cannabis based medicines ("Products") and intends to pursue Independent New Drug certification, possibly under the Orphan Drug Act, for such treatments but faces two significant challenges in accomplishing this business objective, namely financing and government regulation.

The Company is undercapitalized, and will be reliant on outside financing from sales of securities or issuance of debt instruments. Management expects many traditional lenders will be reluctant to provide the Company with capital in light of its financial condition and the nature of its expected business; so that any financing activities will likely be expensive and result in dilution to stockholders of the Company. The Company can make no representation that financing for its business will be available, regardless of cost.

Furthermore, although cannabis has been used for medicinal purposes for over 5,000 years, there is a significant prejudice against development of smoked cannabis medical products amongst the medical and law enforcement communities. In spite of recent statements by the current administration that indicate a softening of these views, marijuana is still classified as a Class 1 controlled substance. The Company can provide no assurances that it can develop and market its intended product, or how long government approval, if obtained, will take.

### **Recent Developments**

Cannabis Science has added several experts to its scientific advisor board and other offices to enable it to progress towards FDA trials and similar efforts in other countries with its three key drugs under development, namely CS-TATI-1 targeting both newly diagnosed and treatment-experienced patients with drug-resistant HIV strains, as well as those intolerant of currently available therapies, CS-S/BCC-1 targeting basal and squamous cell carcinomas, and a proprietary cannabis-based therapy for neurological conditions that was patented in 2013.

The Company established wholly owned subsidiaries in The Netherlands with an office in Haarlem, The Netherlands, to expand operations in Europe, including to enhance opportunities for studies and governmental approvals on an international basis.

The Company is laying a solid foundation for entrance into the FDA and other government regulatory agencies for developing medicines for cancer, autism, Influenza, PTSD and other ailments.

The Company's goal is the development of governmentally approved pharmaceuticals, including the aforementioned CS-TATI1, CS-S/BCC-1, and proprietary, patented neurological therapy currently under study or development. The Company faces not only the challenges of other business at an early stage of development, but special problems arising from the nature of its own business. Notwithstanding, stockholders and prospective stockholders should recognize that any investment in our Company is risky and speculative, and could result in a total loss.

## **Results of Operations**

### *Limited Revenues*

During the fiscal year ended December 31, 2016 we generated license revenues of \$443 and sales of \$8,820 from the operation of Equi-Pharm compared to \$0 in license revenue and \$44,227 in educational and consulting revenues for the year ended December 31, 2015. As of December 31, 2016, we had an accumulated deficit of \$138,137,771. At this time, our ability to generate any significant revenues continues to be uncertain. There is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty.

### *Net Loss*

Our net loss decreased from \$19,137,201 for the fiscal year ended December 31, 2015 to \$10,199,052 for the fiscal year ended December 31, 2016 representing a decrease of \$8,938,149. For the fiscal year ended December 31, 2016, our net loss per share was \$0.01 based on weighted average of 1,999,235,077 shares, compared to a net loss per share of \$0.01 per share based on weighted average of 1,278,148,706 shares for the fiscal year ended December 31, 2015.

### *Expenses*

Total operating expenses decreased from \$19,062,873 for the fiscal year ended December 31, 2015 to \$8,726,456 for the fiscal year ended December 31, 2016 representing a decrease of \$10,507,106.

Our research and development expenses decreased from \$801,500 for the fiscal year ended December 31, 2015 to \$306,326 for the fiscal year ended December 31, 2016 representing a decrease of \$495,174.

Our professional fees decreased by \$630,800 to \$235,847 for the fiscal year ended December 31, 2016 compared to \$866,647 for the fiscal year ended December 31, 2015. This decrease was due to decreased legal services under agreements.

Our interest expense increased from \$4,555 for the year ended December 31 2015 to \$650,310 in 2016. This increase was due to \$471,589 amortization of intrinsic interest on a two-year convertible promissory note originated on August 9, 2016 in the amount of \$975,407 owing to Mr. Raymond C. Dabney, President and CEO of the Company and \$177,698 amortization of intrinsic interest on a one year convertible promissory note originated on October 1, 2016 in the amount of \$710,790 owing to Royalty Management Services Corp.

The loss on settlement of liabilities decreased from \$5,625,076 for the year ended December 31, 2015 to \$588,645 in 2016. This decrease was due to decreased settlement of liabilities through stock and resulting losses on the settlements. Our general and administrative expenses decreased by \$4,644,701 from \$11,702,650 for the fiscal year ended December 31, 2015 to \$7,057,949 for fiscal year ended December 31, 2016. The decrease in general and administrative expenses was mainly due to an decrease in management and consulting fees relating to stock issued pursuant to agreements with management and consultants of the Company. Other general and administrative expenses consist of advertising, office supplies, transfer agent costs, travel expenses, rent, communication expenses (cellular, internet, fax, and telephone), office maintenance, courier and postage costs and office equipment.

### **Liquidity and Capital Resources**

As of December 31, 2016, our current assets totaled \$1,280,396 which was comprised of \$332,888 in cash and cash equivalents, \$36,001 in other receivables, \$102,993 in inventory and \$808,514 in prepaid expenses and deposits. As of December 31, 2016, we had \$751,726 in Property farming rights, \$272,644 in Equity method investee, \$172,000 in Intangibles for Trademarks, License and Franchise options and total assets of \$2,476,766. As of December 31, 2016, we had a working capital deficit of \$2,983,206.

Our net loss of \$10,199,052 for the year ended December 31, 2016 was mostly attributable to stock options exercised and issuance of common stocks for services. We expect to incur moderate losses over the next year as we will start generating more revenues in 2017. During the fiscal year ended December 31, 2016 our cash position increased by \$270,917.

During the year ended December 31, 2016, we received net cash of \$1,966,645 from financing activities compared to \$749,622 for the same period in 2015. We used net cash of \$1,683,244 in operating activities for the fiscal year ended December 31, 2016 compared to \$710,196 for the same period in 2015. And we used net cash of \$12,484 in investing activities for the fiscal year ended December 31, 2016 compared to net cash provided of \$12,484 for the same period in 2015.

Under the 2015 Equity Award Plan registered on August 18, 2015 for 100,000,000 shares of common stock option at an exercise price of \$0.01, the Company used the remaining available options to enter into Non-Statutory Stock Option Agreements with consultants for 10,000,000 common stocks on January 20, 2016, and 13,500,000 common stocks on February 22, 2016, and 5,000,000 common stock options on March 22, 2016 with a total of 28,500,000 common stock options which were exercised with gross proceeds of \$285,000.

On February 19, 2016, the Company approved and registered with Securities Exchange Commission under File No. 333-209786 150,000,000 shares of common stock option at an exercise price of \$0.01 under the Company's 2016 Equity Award Plan and entered into two Non-Statutory Stock Option Agreements with certain consultants on February 22, 2016 for 36,500,000 common stock options, and on February 24, 2016 for 25,000,000 common stock options with one consultant, and on March 22, 2016 for 60,000,000 common stock options with six consultants, and on May 13, 2016 for 25,000,000 common stock options with two consultants, for a total of 146,500,000 common stock options. All the 146,500,000 common stock options were exercised with gross proceeds of \$1,465,000.

On September 21, 2016, the Company approved and registered with Securities Exchange Commission under File No. 333-213833 250,000,000 shares of common stock option at exercise prices to be set by management of the Company under the Company's 2016 Equity Award Plan B and entered into Incentive and Non-Statutory Stock Option Agreements with exercise prices at \$0.01 on July 6, 2016 for 10,000,000 common stock options with one consultant, and on September 27, 2016 for 50,000,000 common stock options with four consultants, and on October 3, 2016 for 15,000,000 common stock options with one consultant, and on October 4, 2016 for 2,000,000 common stock options with one consultant. In addition, the Company entered into Incentive Stock Option Agreements with exercise price at \$0.01 per share for 10,000,000 common stock options with one management consultant on July 6, 2016, and 10,000,000 common stock options with Benjamin Tam, CFO/Director of the Company on September 14, 2016, and 20,000,000 common stock options with two management consultants on September 27, 2016 for a total of 117,000,000 common stock options. All the 117,000,000 common stock options were exercised with gross proceeds of \$1,170,000.

In 2016, a total of 292,000,000 common stock options were exercised and the Company issued 292,000,000 common stock with total gross proceeds of \$2,920,000 of which \$1,646,000 were received by the Company, \$634,000 was to offset consulting fees, \$10,000 was used for charity donations and \$655,000 are in common stock receivable which included \$15,000 bought forward from December 31, 2015. From the common stock receivable of December 31, 2015 in the amount of \$381,500 of which the Company received \$356,500 and \$10,000 was used to offset consulting fees.

As of December 31, 2016, a total of \$1,506,745 (December 31, 2015: \$1,406,513) of notes payable are due to stockholders that are non-interest bearing and are due 12 months from the date of issue and loan origination beginning on July 23, 2014 through December 31, 2016. Promissory notes totaling \$1,340,155 were in default on December 31, 2016. All promissory notes are unsecured.

The Company is currently not in good short-term financial standing. We anticipate that we may only generate limited amount of 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 year 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.

## **Business Development**

Our business and product development will follow two parallel paths. We will create cannabis pharmaceuticals with and without psychoactive properties. Both of these lines will have numerous proven health benefits for treating autism, blood pressure, cancer and cancer side effects, along with other illnesses, including for general health maintenance.

We are positioned to pursue the development of phytocannabinoid-based pharmaceutical grade products. The endocannabinoid system normally regulates blood pressure through its capacity to dilate blood vessels and reduce adrenergic stimuli. Additionally, there is a developing body of evidence that shows both the tumor killing properties of endo- and phyto- cannabinoids, and their ability to inhibit metastasis in a variety of cancers.

The Company is working to navigate the regulatory framework for its phytocannabinoid science towards developing cannabis-based therapeutics that will holistically promote health by restoring biochemical balance. By adhering to underlying scientific principles, the Company will manipulate all-pervasive phytocannabinoid processes to target a variety of disparate illnesses.

Cannabis Science is also positioning to explore insights that indicate an intrinsic link between novel cancer and HIV technologies and the cannabinoid system; with the goal of demonstrating that our pharmaceuticals will enhance biochemical markers that are indicative of a successful HIV therapy based on recent paradigm breaking discoveries.

The Company is currently focused on FDA approval of its first medical cannabis product targeted for veterans. Many veterans are already using herbal cannabis to self-medicate to relieve the symptoms of PTSD. Consequently, there is a clear need for standardized, FDA approved, oral cannabis products which can, and should be, provided to veterans and others who can benefit from its use. Medical cannabis has far fewer and milder side effects than most currently prescribed pharmaceutical products do. We are working hard to have one or more products ready for FDA clinical trials as soon as possible.

On February 9, 2012, the Company signed a license agreement with Apothecary to produce several Cannabis Science Brand Formulations for the California medical cannabis market. As well, Apothecary will provide research and development facilities with full circle operations including a California laboratory facility for internal research and development, along with 16 unique genetic strains specifically generated and maintained by a cancer survivor who recognizes the importance of proper growth and breeding in addition to investing \$250,000 in research and development in the first 24 months. Apothecary failed to meet several contract provisions including investing \$250,000 in Research and Development, setting up a laboratory facility, and reporting and remitting license fees owing to the Company. On November 20, 2014, the Company signed an amendment to the license agreement.

Pursuant to the amendment, the Company was to acquire all property, building, and equipment of Apothecary in exchange for 14,500,000 Rule 144 restricted stock with a fair market value of \$971,500. The Company recorded an equivalent deposit for the year ended December 31, 2014 until the acquisition of assets closes, which was anticipated during fiscal 2015. The amount of \$971,500 was written off in the third quarter of 2016 to Loss on Investment as Apothecary claimed that they have sold the shares and spent the proceeds on Research and Development and acquired a property with 21 acre of land and a residential building in California.

On February 9, 2012, the Company acquired GGECO University, Inc. ("GGECO"), an online video-based medical cannabis education system, offering courses dealing with medical cannabis law, the benefits of medical marijuana, cooking, horticulture, and bud tending. Following the university's name change to Cannabis Science University, the Company hopes to use this platform to educate the general public, patients, and even those who have already been involved in the medical cannabis industry on the medical benefits of cannabis, how it is grown, how to use it safely, and the many applications or ways to administer the medication. In consideration of this agreement, the Company issued 25,000,000 common shares to the principals of GGECO.

On March 21, 2012, the Company acquired Cannabis Consulting Inc. (“CCI Group”), which consists of a group of businesses operated by Robert J. Kane, including: all contracted rights, properties, patents, trademarks, and distribution rights and agreements pertaining to Cannabis Consulting Inc., Robert Kane Partners, Kaneabis Consulting, Kaneabis Fund, Kaneabis Report, and Kaneabis Radio. In conjunction with the acquisitions, Robert Kane was promoted to V.P. of Investor Relations for the Company. Consideration paid for the CCI Group was 1,000,000 common shares with a fair market value of \$147,000 issued to the principal, Mr. Robert Kane.

On February 13, 2014, the Company entered into a partnership agreement with Michigan Green Technologies, LLC. Under the agreement, the Company participates in 20% of all net profit of the operating entity. In addition, the Company is working with its partner to active lobbying for the legalization of hemp and cannabis in Michigan which will lead to additional business opportunities for the Company through its partnership.

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 has agreed to issue 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 12<sup>th</sup> and 13<sup>th</sup>.

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 January 11 2016, the Company signed a second amendment to the license agreement and issued 15,500,000 shares of Rule 144 restricted stock, held in escrow by the Company's attorney, with a fair market value of \$181,350, until the title has been transferred to the company. Pursuant to the second amendment the Company waives prior Royalties owed under any Section of any previous Agreements, and Apothecary shall make business introductions in Jamaica for the Company to work with government licensed growers, laboratories, doctors, and any other mutually agreeable business introductions. Apothecary was to sign and transfer immediately ownership of the Northern California Property to the Company and repay and discharge a lien on the property within 12 months signing the second amendment. The Company recorded an equivalent deposit of \$181,350 until the acquisition of assets closes, which was anticipated in July of 2016. In the month of July 2016, Apothecary Genetics Investments, LLC breached the amended agreement by refusing to transfer the Northern California property to the Company and demanded additional payment for the property. The Company declined to pay additional funds for the property and the Agreement has been terminated. All the 15,500,000 Rule 144 restricted common shares are held in escrow and the management of the Company will give instruction to the transfer agent for cancelation of these shares.

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 two initial payments of \$50,000 for licensing 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 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, Lots 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 parcels of leased land, Lots 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.

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 acquired or manufactured cannabis and hemp based products. There can be no assurance that these will be successful in generating revenues in 2017.

The Company anticipates having to raise additional capital to fund operations over the next 12 months. To the extent that it is required to raise additional funds to acquire properties, and to cover costs of operations, the Company intends to do so through additional public or private offerings of debt or equity securities.

As of December 31, 2016, the Company had four directors/executives under management services contracts.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **CANNABIS SCIENCE, INC.**

#### **CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2016

#### **C O N T E N T S**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders

Cannabis Science, Inc.

Irvine, California

We have audited the accompanying consolidated balance sheets of Cannabis Science, Inc. and its subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders’ equity/(deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cannabis Science, Inc. and its subsidiaries as of December 31, 2016 and 2015, the results of their consolidated operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the 2016 financial statements have been restated to correct a misstatement.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring

losses from operations since inception, has a working capital deficiency and will need to raise additional capital to fund its business operations and plans. Furthermore, there is no assurance that any capital raise will be sufficient to complete the Company's business plans. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Turner, Stone & Company, L.L.P.*

Dallas, Texas

August 10, 2017

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**CANNABIS SCIENCE, INC.****CONSOLIDATED BALANCE SHEETS**

December 31, 2016 and 2015

	December 31, 2016 \$	<b>December 31,</b> <b>2015</b> <b>\$</b>
<b>ASSETS</b>		
Current Assets		
Cash	332,888	61,971
Other receivables	36,001	39,366
Prepaid expenses and deposits held with RMS (Note 13)	808,514	156,750
Loans receivable, related party	—	37,516
Inventory	102,993	19,311
Total current assets	1,280,396	314,914
Property Farming Rights (Note 10)	751,726	—
Deposits (Note 13)	—	971,500
Equity method investee (Note 11)	272,644	128,927
Goodwill (Note 1 and 12)	—	170,689
Intangibles, net of accumulated amortization (Note 12)	172,000	215,000
<b>TOTAL ASSETS</b>	<b>2,476,766</b>	<b>1,801,030</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable	856,269	680,215
Accrued expenses, primarily management fees (Note 5)	884,465	1,614,654
Advances from related parties (Note 5)	538,425	414,135
Management bonuses	300,000	300,000
Notes payable to stockholders (Note 6)	1,506,745	1,406,513
Notes payable (Note 6)	177,698	—
Total current liabilities and total liabilities	4,263,602	4,415,517
Stockholders' Deficit		
Series A Preferred stock, \$0.001 par value, 1,000,000 shares authorized, 1,000,000 shares issued and outstanding at December 31, 2016 and December 31, 2015	1,000	1,000
Common stock, \$.001 par value, 3,000,000,000 shares authorized, 2,350,355,296 issued and outstanding as of December 31, 2016 and 1,581,855,296 at December 31, 2015	2,350,356	1,581,856
Common stock, Class A, \$.001 par value, 100,000,000 shares authorized, 0 issued and outstanding as of December 31, 2016 and December 31, 2015	—	—
Prepaid consulting	(1,705,659 )	(3,209,032 )

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Common Stock receivable	(655,000 )	(381,500 )
Additional paid-in capital	136,963,520	127,942,191
Accumulated deficit	(138,137,771)	(128,017,132)
Cumulative exchange translation	(11,495 )	(18,496 )
Equity attributable to common shareholders	(1,195.049 )	(2,101,113 )
Non-Controlling interest	(591,787 )	(513,374 )
Total stockholders' deficit	(1,786,836 )	(2,614,487 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>2,476,766</b>	<b>1,801,030</b>

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

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**CANNABIS SCIENCE, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(LOSS)**

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31, 2016 \$	December 31, 2015 \$
Revenue	9,263	44,227
Cost of Goods Sold	4,049	—
Gross Profit	5,214	44,227
Operating Expenses		
Investor relations	324,000	67,000
Professional fees	235,847	866,647
Net loss on settlement of liabilities	588,645	5,625,076
Depreciation and amortization	43,000	—
Research and development	306,326	801,500
General and administrative	7,057,949	11,702,650
Impairment of goodwill	170,689	—
Total operating expenses	8,726,456	19,062,873
Net Operating Loss	(8,721,242 )	(19,018,646 )
Other Income (Expense)		
Interest expense, net	(650,310 )	(4,555 )
Loss on Investments	(971,500 )	—
Unrealized gain (loss) on equity investee	144,000	(114,000 )
Total other income (expense)	(1,477,810 )	(118,555 )
Net Loss	(10,199,052 )	(19,137,201 )
Net Loss attributable to non-controlling interest	78,413	513,374
Net Loss attributable to common shareholders	(10,120,639 )	(18,623,827 )
Other Comprehensive Income		
Foreign exchange translation adjustment	7,001	2,503
Total other comprehensive income	7,001	2,503
Net Comprehensive Loss	(10,113,638 )	(18,621,324 )
Net loss per common share		
- Basic and diluted	\$(0.01 )	\$(0.01 )
Weighted average number of common shares outstanding	1,999,235,077	1,278,148,706

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

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

FOR THE PERIOD FROM December 31, 2014 to December 31, 2016

	Common Shares	Par	Preferred Shares	Par	Additional Paid-In Capital	Prepaid Consulting	Accumulated Deficit	<b>Common Stock Receivable</b>	Cur Exc Tran
		\$		\$	\$	\$	\$	\$	\$
<b>Balance at December 31, 2014</b>	1,032,123,906	1,032,124	1,000,000	1,000	110,256,424	(4,448,696)	(109,393,306)	—	(20
Common stock issued for services	257,403,310	257,404			8,768,691	(6,012,367)		—	
Common stock issued for settlement of liabilities and debt	185,828,080	185,828			6,120,076			—	
Common stock issued for private placement	10,000,000	10,000			240,000			—	
Common stock issued for deposit to acquire assets	20,000,000	20,000			385,000			—	
Common stock issued for stock option exercised	76,500,000	76,500			2,172,000			(381,500)	
Amortization of shares issued for services						7,252,031			
							(18,623,827 )		

Net loss for  
the period  
Rounding  
difference  
Foreign  
exchange  
translation

1

—

2,5

**Balance at  
December  
31, 2015**

1,581,855,296

1,581,856

1,000,000

1,000

127,942,191

(3,209,032)

(128,017,132)

**(381,500)**

(18

Common  
stock issued  
for services

174,000,000

174,000

2,586,632

(1,616,264)

—

Common  
stock issued  
for settlement  
of liabilities

45,000,000

45,000

589,500

—

Common  
stock issued  
for debt  
conversion

250,000,000

250,000

975,407

Common  
stock issued  
for prepaid  
legal retainer

7,500,000

7,500

82,500

—

Stock  
options  
issued for  
services

1,298,500

Common  
stock issued  
for stock  
option  
exercised

292,000,000

292,000

2,628,000

(273,500)

Intrinsic  
interest on  
convertible  
promissory  
notes

860,790

Amortization  
of shares  
issued for  
services

3,119,637

Net loss for  
the period

(10,120,639 )

Foreign  
exchange  
translation

7,0

2,350,355,296

2,350,356

1,000,000

1,000

136,963,520

(1,705,659)

(138,137,771)

**(655,000)**

(11



**Balance at  
December  
31, 2016**

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 YEARS ENDED DECEMBER 31, 2016 and 2015

	December 31, 2016 \$	December 31, 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	(10,199,052)	(19,137,201)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	46,274	—
Interest on debt conversion	649,287	—
Amortization of Prepaid Consulting	3,119,637	—
Stock issued for services	1,144,368	10,109,010
Stock options issued for services	1,942,500	1,708,476
(Gain) / Loss on equity investee	(143,717 )	115,042
(Gain) / Loss on settlement of liability	—	(75,000 )
Loss on settlement of debt	589,500	5,700,076
Loss on investment	971,500	—
Impairment on goodwill	170,689	—
Changes in operating assets and liabilities:		
Other receivables	3,366	(30,696 )
Advances receivable, related parties	(2,815 )	—
Prepaid expenses and deposits	(561,765 )	97,626
Inventory	(83,682 )	—
Property farming rights	(725,000 )	—
Accounts payable	1,140,736	602,121
Accrued expenses, primarily management fees	247,929	197,847
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,690,245 )</b>	<b>(712,699 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances receivable, related parties	(12,484 )	12,484
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(12,484 )</b>	<b>12,484</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from advances from related parties	—	6,000
Proceeds from notes payable to stockholders	—	130,855
Repayments of notes payable to stockholders	(35,855 )	204,243
Proceeds from common stock options exercised	2,002,500	158,524
Proceeds from sale of common stock	—	250,000
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,966,645</b>	<b>749,622</b>
Effect on exchange rate changes on cash	7,001	2,503

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NET INCREASE IN CASH	270,917	51,910
CASH, BEGINNING OF PERIOD	61,971	10,061
CASH, END OF PERIOD	332,888	61,971

SUPPLEMENTAL CASH FLOW INFORMATION:

Common stock issued for services	—	9,026,096
Common stock issued for settlement of debt	45,000	6,305,904
Common stock issued for prepaid legal retainer	90,000	405,000
Common stock issued for options exercised	—	2,248,500
Loans receivable, related party settled through purchase of property farming rights	30,000	—
Note Payable to stockholders converted to common stock	250,000	—
Notes payable to stockholders settled through issuance of common stock	—	605,828
Notes Payable to stockholders settled through advances from related parties	20,502	—
Notes Payable to stockholders settled through reclassification of loan receivable	20,000	—
Accrued expenses settled through issuance of notes payable to stockholder	975,407	—
Accrued expenses settled through advance from related party	2,711	—
Accounts payable paid through note payable, stockholder	—	130,855
Accounts payable settled through advances from related parties	103,892	—
Accounts payable settled through note payable	860,790	—
Debt discount on convertible notes	1,836,197	—

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

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**CANNABIS SCIENCE, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2016

**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 10<sup>th</sup> and May 6<sup>th</sup>, 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.

The operating results of GGECO University, Inc. ("GGECO"), acquired on February 9, 2012, for the period February 10, 2012 through December 31, 2013 were consolidated with the consolidated financial statements of the Company for the year ended December 31, 2014 and 2013. The s-type corporation of GGECO was dissolved in 2012 and all operations combined into the Company. An independent valuation firm determined the intangibles acquired in GGECO to be \$192,119 consisting of \$150,000 for educational materials, \$20,000 for the trade name, and \$22,119 for the workforce. The total purchase price of \$450,132, including acquired net liabilities, audit and valuation costs was recorded. Full impairment of GGECO was recognized and all goodwill was written off at December 31, 2014.

The operating results of Cannabis Consulting, Inc. ("CCI"), acquired on March 21, 2012, for the period March 21, 2012 through December 31, 2012 and January 1, 2013 through December 31, 2013 were consolidated with the consolidated financial statements of the Company. The s-type corporation of CCI was dissolved in 2012 and all operations combined into the Company's. The Company has allocated \$125,000 of the purchase price to intangibles based on an internal valuation in addition to \$22,000 of goodwill. Full impairment of CCI was recognized and all goodwill was written off at December 31, 2014.

In 2012, the Company formed Cannabis Science Europe GmbH ("CSE") 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. For the year ended December 31, 2013, CSE had minimal expenditures in the normal course of winding up the entity subsequent to the disposal 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 based on the German government proposing changes in the Drug Law which will relax the strict measures that regulate the consumption of medical cannabis and development of cannabis products for medicinal uses.

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 and MJR BV, both 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 additional shares 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 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 start the operation of distributing of existing and new line of products.

### *C. Use of Estimates*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined.

### *D. Basic and Diluted Net Income (Loss) Per Share*

Under ASC 260, "Earnings Per Share" ("EPS"), the Company provides for the calculation of basic and diluted earnings per share. Basic EPS includes no dilution and is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings or losses of the entity. For the years ended December 31, 2016 and 2015, basic and diluted loss per share are the same since the calculation of diluted per share amounts would result in an anti-dilutive calculation.

*E. Cash and Cash Equivalents*

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

*F. Long-Lived Assets*

Under ASC Topic 360, “Property, Plant, and Equipment”, the Company is required to periodically evaluate the carrying value of long-lived assets to be held and used. ASC Topic 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

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### *G. Inventory*

Inventories are stated at the lower of cost or market, using the average cost method. Cost includes materials related to the purchase and production of inventories. We regularly review inventory quantities on hand, future purchase commitments with our suppliers, and the estimated utility of our inventory. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis through a charge to cost of revenue.

### *H. Fair Value Measurements*

Under ASC Topic 820, Fair Value Measurement, the Company discloses the estimated fair values of financial instruments. The carrying amounts reported in the balance sheet for current assets and current liabilities qualifying as financial instruments are a reasonable estimate of fair value.

In accordance with the reporting requirements of ASC Topic 825, Financial Instruments, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this standard and includes this additional information in the notes to the consolidated financial statements when the fair value is different than the carrying value of those financial instruments (see Note 3). The estimated fair value of other current assets and current liabilities approximate their carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

### *I. Goodwill and Intangible Assets*

Under ASC Topic 350 “Intangibles-Goodwill and Other”, goodwill is not amortized to expense, but rather that it is assessed or tested for impairment at least annually. Impairment write-downs are charged to results of operations in the period in which the impairment is determined. The Company identified impairment on its outstanding goodwill from its most recent testing, which was performed as of December 31, 2016. If certain events occur which might indicate goodwill has been impaired, the goodwill is tested for impairment when such events occur. Other acquired intangible assets with finite lives, such as customer lists, are required to be amortized over the estimated lives. These intangibles are generally amortized using the straight line method over estimated useful lives of five years.

The Company tests the carrying value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. An impairment loss is recognized if the amount of the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less selling expenses or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).



The Company is adopting ASU update number 2012-02—Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment whereby the Company will first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, we conclude that it is not more than likely than not that the indefinite-lived intangible asset is impaired, then we are not required to take further action. If the Company concludes otherwise, then we will determine the fair value of the indefinite-lived intangible asset and perform the required quantitative impairment test by comparing the fair value with the carrying amount.

The Company recorded \$170,689 impairment loss on goodwill for the year ended December 31, 2016 and \$0 for the year ended December 31, 2015.

*J. Research and Development Expenses*

Under ASC Topic 730 "Research and Development", costs are expensed as incurred. These expenses include the costs of our proprietary R&D efforts, as well as costs incurred in connection with certain licensing arrangements. Before a compound receives regulatory approval, we record upfront and milestone payments made by us to third parties under licensing arrangements as expense. Upfront payments are recorded when incurred, and milestone payments are recorded when the specific milestone has been achieved. Once a compound receives regulatory approval, any milestone payments will be recorded as Identifiable intangible assets, less accumulated amortization and, unless the asset is determined to have an indefinite life, amortization of the payments will be on a straight-line basis over the remaining agreement term or the expected product life cycle, whichever is shorter. No identifiable intangible assets have been recorded as of December 31, 2016.

*K. Income Taxes*

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

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

*Unfiled Federal Tax Returns*

The Company estimates that the amount of penalties, if any, will not have a material effect on the results of operations, cash flows or financial position. No provisions have been made in the financial statements for such penalties, if any.

The Company is working with its accountants to prepare and file overdue federal tax returns for 2008 through 2016, which are anticipated to be completed and filed in fiscal 2017.

*L. Marketable Securities*

Under ASC Topic 210; Regulation S-X “Marketable Securities”, the Company is required to measure all marketable securities at their carrying value while recognizing unrealized gains and losses as of the reporting date.

*M. Stock-Based Compensation*

Under ASC Topic 718, “Compensation-Stock Compensation”, the Company is required to measure all employee share-based payments, including grants of employee stock options, using a fair-value-based method and the recording of such expense in the statements of operations.

*N. Revenue Recognition*

Revenue is recognized at the time the educational materials or online seminars are provided and billed to the customer and substantially all related obligations of the Company have been performed. License fees and joint-venture profit sharing when evidenced by executed agreements, and other fees are recognized when earned and collection is reasonably assured.

*O. Recent Accounting Pronouncements*

During the year ended December 31, 2016 and through April 13, 2017, there were several new accounting pronouncements issued by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company’s financial statements.

## **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 \$138,137,771 and had a stockholders' deficit of \$1,786,836 at December 31, 2016.

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 December 31, 2016, 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. RESTATEMENT AND RECLASSIFICATION**

### **Restatement of Financial Statements for the year ended December 31, 2016**

The Company is restating its financial statements for the year ended December 31, 2016 (the "2016 Financial Statements") to correct various account balances, and the restatement corrects financial statement errors that arose from the Company's oversight to account for payments made by Royalty Management Services Corp. ("RMS") on its behalf. The errors occurred during the last quarter of 2016 and first four months of 2017 and their effect is summarized below.

The restatements are being made in accordance with ASC 250, “Accounting Changes and Error Corrections.” The disclosure provision of ASC 250 requires a company that corrects an error to disclose that its previously issued financial statements have been restated, a description of the nature of the error, the effect of the correction on each financial statement line item and any per share amount affected for each prior period presented, and the cumulative effect on retained earnings (deficit) in the statement of financial position as of the beginning of each period presented.

The effects of the adjustments on the Company’s previously issued 2016 Financial Statements are summarized as follows:

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Selected Consolidated Balance Sheets Information as of December 31, 2016

	<b>Previously</b>	<b>Increase</b>	
	<b><u>Reported</u></b>	<b><u>(Decrease)</u></b>	<b><u>Restated</u></b>
Other receivables	36,000	1	36,001
Prepaid expenses and deposits held with RMS	231,994	576,520	808,514
Property Farming Rights	47,778	703,948	751,726
Accounts payable	404,664	451,605	856,269
Notes payable	—	177,698	177,698
Additional paid-in capital	136,102,730	860,790	136,963,520
Accumulated deficit	(137,929,021)	(208,750 )	(138,137,771)
Cumulative exchange translation	(10,621 )	(874 )	(11,495 )

Selected Consolidated Statements of Operations and Comprehensive Income (Loss)

	<b>Previously</b>	<b>Increase</b>	
	<b><u>Reported</u></b>	<b><u>(Decrease)</u></b>	<b><u>Restated</u></b>
General and administrative	7,026,897	31,052	7,057,949
Interest expense, net	472,612	177,698	650,310
Net Loss	(9,990,302)	(208,750 )	(10,120,639)
Net Loss attributable to common shareholders	(9,911,889)	(208,750 )	(10,120,639)
Foreign exchange translation adjustment	7,875	(874 )	7,001
Net Comprehensive Loss	(9,904,014)	(209,624 )	(10,113,638)
Basic and diluted net loss per common share	0.00	(0.01 )	(0.01 )

Selected Consolidated Statement of Cash Flows for the year ended December 31, 2016

	<b>Previously</b>	<b>Increase</b>	
	<b><u>Reported</u></b>	<b><u>(Decrease)</u></b>	<b><u>Restated</u></b>
Net loss	(9,990,302)	(208,750 )	(10,199,052)
Depreciation and Amortization	45,222	1,052	46,274
Interest on debt conversion	471,589	177,698	649,287
Foreign exchange translation adjustment	7,865	(874 )	7,001
Prepaid expenses and deposits held with RMS	14,756	576,521	(561,765 )
Property farming rights	(50,000 )	(675,000 )	(725,000 )
Accounts payable	(174,474 )	1,315,210	1,140,736

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Advances from related parties	37,516	(40,331 )	(2,815 )
CASH FLOWS USED IN OPERATING ACTIVITIES	(1,626,583)	(6,661 )	(1,683,244 )
Proceeds from advance receivable, related parties	—	(12,484 )	(12,484 )
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	(50,000 )	(12,484 )	(12,484 )
Repayment of notes payable to stockholders	(55,000 )	19,145	(35,855 )
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	1,947,500	19,145	1,966,645
Accounts payable settled through note payable	975,407	860,790	1,836,197

The restatement relates to unrecorded management fees due to RMS and payments made by RMS on behalf of the Company. The following is a description of the transactions underlying the restatements:

<sup>1</sup> The Company's issued a \$710,790 and a \$150,000 convertible promissory note to RMS, on October 1, 2016 and December 31, 2016, respectively, for unpaid management fees under a contract with RMS.

<sup>2</sup> RMS made payments and incurred obligations on behalf of the Company which were reimbursable to RMS and represented obligations of the Company. These payments and obligations, not previously recognized are as follows:

- Four payments to consultants for services totaling \$30,000 that should have been recognized in operating expenses
- Three payments for accounts payable totaling \$23,476

Nine payments totaling \$185,000 to property owners of Washoe Tribal Allotments in Douglas County, Nevada, representing partial payment of Property Farming Rights totaling \$640,000 and covering 16 Acres at a rate of \$40,000 per acre. The balance owing to the Washoe Tribal members of \$455,000 should have been included in accounts payable

Three payments totaling \$65,000 to the Family Tribal Allotments of the Winnemucca Tribe of Humboldt County, Nevada for cultivation working capital related to 320 acres of land that should have been included in accounts payable

The convertible promissory notes shown in 1 above are convertible to the common shares of the Company at \$0.001 a share within one-year or other mutually agreed upon price. These notes should have been recorded based on the maximum capped amount on the \$860,790 face value of the promissory notes as per ASC 470-20-25, as additional paid-in capital with recognition of a like amount of prepaid interest discount offset against the note balance.

Recognition of the convertible promissory notes required the recording the amortization of the related discount of \$177,698 for the three months ended December 31, 2016 as interest expense and recognition of the property license fees required the recording the related amortization of \$1,052 from the date of the agreements.

The net result is an increase of General and Administrative expenses of \$31,052, an increase of Depreciation and Amortization of \$1,052, an increase of Interest Expense of \$177,698 for a total increase in the Net Loss of \$208,750. The total impact on the balance sheet was a \$576,521 in Receivables, a \$703,948 net increase in Property Farming Rights, a \$451,605 net increase in Accounts Payable, a \$177,698 net increase in Notes Payable, a \$860,790 increase in Additional Paid-in Capital, a \$208,750 increase in Accumulated Deficits, and a \$874 increase in Cumulative exchange translation from the 10-K filed on April 17, 2017.

In addition to the restatement of financial information discussed above, the Statement of Cash Flows required reclassification of both years of 2016 and 2015 to present effect of exchange rate changes on cash on its own section.

#### **4. 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). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities that the Company can access at the measurement date.

Level 2

Inputs to the valuation methodology are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3Inputs to the valuation methodology are unobservable inputs for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for the Company's liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

*Equity method investment:* Trading securities valued at the closing price of Endocan Corporation shares held by the Company at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables set forth by level, within the fair value hierarchy, the Company's liabilities at fair value as of December 31, 2016 and 2015.

	<u>December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity method investment	43,500	\$—	—	\$43,500
Total assets as of December 31, 2015	43,500	\$—	—	\$43,500

	<u>December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity method investment	187,500	\$—	—	\$187,500
Total assets as of December 31, 2016	187,500	\$—	—	\$187,500

**5. RELATED PARTY TRANSACTIONS**

At December 31, 2016, a total of \$52,500 (December 31, 2015: \$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 December 31, 2016, a total of \$101,882 (December 31, 2015: \$61,902) in loans payable was due to Interstate 101, a shareholder of the Company, with no interest and no security. The loan originated between April 1, 2015 and August 19, 2016 for various expenses of the Company.

At December 31 2016, total of \$3,165 (December 31, 2015: \$3,165) in loans payable was due 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 December 31, 2016, the Company owes \$11,871 (December 31, 2015: \$0) 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.

At December 31, 2016, a total of \$191,344 (December 31, 2015: \$191,344) in loans payable was due to Bogat Family Trust, Raymond Dabney the Company's Director and President/CEO as trustee.

At December 31, 2016, \$93,885 (December 31, 2015: \$66,847) was due to MJR BV, owned by Mario Lap director and director and officer of EU subsidiaries.

At December 31, 2016, \$447 (December 31, 2015: \$447) was due to Robert Melamede, former CEO.

At December 31, 2016, a total of \$23,377 (December 31, 2015: \$0) 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 December 31, 2016 for expenses of the Company.

At December 31, 2016, a total of \$20,502 (December 31, 2015: \$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 December 31, 2016, the Company held 7,500,000 common shares in Omnicanna Health Solutions, Inc. (formerly 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 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 December 31, 2016 and December 31, 2015 was determined to be \$0.025 and \$0.0058 per share or \$187,500 and \$43,500 respectively.

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 unrealized gain of \$144,000 on the equity method investee account and an impairment of \$114,000 for the year ended December 31, 2015 in relation to the shares. Benjamin Tam, CFO and director of the Company and Robert Kane, COO and director of the Company are also the CFO and director and COO and director of Omnicanna. Raymond Dabney, CEO has 10.78% equity interest in Omnicanna Health Solutions, Inc. as of December 31, 2016.

For the year ended December 31, 2016 and 2015, the following related party stock-based compensation was recorded:

Related Party	Position	2016	2015
Raymond Dabney <sup>1</sup>	President & CEO	\$193,842	\$171,741
Dr. Dorothy Bray	Former CEO	—	765,303
Benjamin Tam	CFO and Secretary	113,000	—
Dr. Richard Cowan	Former CFO	—	922,500

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Robert Kane	COO	245,380	1,135,060
Dr. Allen Herman	Chief Medical Officer	70,500	271,250
Dr. Roscoe M. Moore, Jr	Chair of Scientific Advisory Board	260,000	415,000
Mario Lap	Director	215,380	—
Alfredo Dupetit-Bernardi.	President & CEO of CBIS Europe GmbH	51,000	—
Chad S. Johnson, Esq.	Former COO and General Counsel to Sept. 14, 2016	215,380	773,422
		\$1,364,482	\$4,454,276

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

Raymond Dabney, CEO is a controlling shareholder and Chad S. Johnson, COO/General Legal Counsel of ImmunoClin Corporation (OTC: IMCL), respectively. ImmunoClin performs laboratory services, research and pharmaceutical development for the Company through its wholly-owned subsidiary ImmunoClin Limited that operates a laboratory at the London Biosciences Centre.

See Note 8 -Equity Transactions for details of stock issuances to director and officers for services.

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 MJR BV and MLS Lap 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 in fiscal 2016 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.

Notes payable to Intrinsic Venture Corp. ("IVC") totaled \$0 and \$0 at December 31, 2016 and 2015, respectively. On July 1, 2014, IVC assigned a total of \$251,371 promissory notes payable by the Company to Intrinsic Capital Corp. On October 1, 2014, IVC assigned a total of \$420,000 promissory notes payable by the Company to Intrinsic Capital Corp. On November 1, 2014, IVC assigned a total of \$1,108,896 promissory notes to Embella Holdings Ltd. Notes payable to Embella Holdings Ltd. totaled \$1,108,896 and \$1,108,896 at December 31, 2016 and 2015, respectively. As of December 31, 2016, 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. totaled \$231,260 and \$231,260 at December 31, 2016 and 2015, respectively. See Note 6.

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 a management agreement with the Company since 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 \$860,790 and \$0 at December 31, 2016 and 2015 respectively. See Note 6.

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, Raymond Dabney 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.

Convertible Notes Payable to Royalty Management Services Corp., a company owned by Mr. Kaalo C. Dabney, an independent child and non-affiliate of Mr. Raymond C. Dabney, CEO/Director of the Company, entered into a management agreement with the Company on September 15, 2015 for internet and software development, websites development and maintenance, payments of various operational expenses including travel, telephone, bookkeeping services, secretarial service and payment services totaled \$860,790 at December 31, 2016. See Note 6. Total services fees were \$900,000 and \$262,500 for the years ended December 31, 2016 and 2015, respectively. Under US GAAP, i.e. FASB Accounting Standards Codification (ASC) 850-10-50, Royalty Management Services Corp. is considered a related party. However, in the opinion of the Company's legal counsel, under the US Securities Act of 1933, Regulation S-K, Item 404(a) (17 CFR § 229.404(a)), Royalty Management Services Corp. and Mr. Kaalo C. Dabney are not considered related parties.

## **6. NOTES PAYABLE**

As of December 31, 2016, a total of \$1,506,745 (December 31, 2015: \$1,406,513) of notes payable are due to stockholders that are non-interest bearing and are due 12 or 24 months from the date of issue and loan origination beginning on January 31, 2012 through June 30, 2016. \$1,340,156 of the Promissory notes were in default as of December 31, 2016. All promissory notes are unsecured.

On February 7, 2016, the Company settled the balance of \$45,855 promissory note owed to Stacey R. Lewis since March 21, 2015 and issued 45,000,000 shares of common stock pursuant to a debt settlement agreement with a fair market value of \$634,500.

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Notes payable to Embella Holdings Ltd. totaled \$1,108,896 and \$1,108,896 at December 31, 2016 and December 31, 2015, respectively. As of December 31, 2016, 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. totaled \$231,260 and \$231,260 at December 31, 2016 and December 31, 2015, respectively. As of December 31, 2016, 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 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 Promissory Note as of December 31, 2016 was \$670,407 (December 31, 2015: \$0). In 2016, the Company recorded \$471,589 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 settled by issuance of 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 fully recognized the conversion discounts of the Note as prepaid interest to the maximum amount of \$710,790 in accordance with ASC 470-20-30-8 and amortize it over the life of the Note. In 2016, the Company recorded \$177,698 as interest for amortization of the debt discount.

On December 31, 2016, \$150,000 in Accounts Payable for management fees accumulated from November 1, 2016 to December 31, 2016 was settled by issuance of 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 fully recognized the conversion discounts of the Note as prepaid interest to the maximum amount of \$150,000 in accordance with ASC 470-20-30-8 and amortize it over the life of the Note. The Company has not recorded any interest for amortization of the debt discount.

## **7. INCOME TAXES**



Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Current year and accumulated deferred tax benefit at the effective Federal income tax rate of 34% is \$30,061,431 (in addition to the pre-acquisition annual limitation carry-forward discussed in the following paragraph), and a valuation allowance has been set up for the full amount because of the unlikelihood that the accumulated deferred tax benefit will be realized in the future.

At December 31, 2016 and 2015, the Company had available federal and state net operating loss (NOL) carryforwards amounting to approximately \$88,100,000 and \$78,500,000, respectively, that are available to offset future federal and state taxable income and that expire in various periods through 2035 for federal tax purposes and 2020 for state tax purposes. No benefit has been recorded for the loss carryforwards, and utilization in future years may be limited under Sections 382 and 383 of the Internal Revenue Code if significant ownership changes have occurred or from future tax legislation changes.

The following table sets forth the significant components of the net deferred tax assets for operations in the US as of December 31, 2016 and 2015.

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	2016	2015
Deferred tax assets:		
NOL expense (benefit)	\$(30,061,431)	\$(26,699,209)
Add: timing difference on unrealized losses	(38,208)	( )
Total NOL expense (benefit)	(30,099,639)	(26,699,209)
Less: valuation allowance	30,099,639	26,699,209
Net deferred tax assets	\$—	\$—

A reconciliation of income tax expense at the statutory federal rate of 34% to income tax expense at the Company's effective tax rate for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
Income tax expense (benefit) at statutory federal rate	\$(3,362,222)	34 %	\$(6,331,250)	34 %
Increase in valuation allowance	3,362,222	-34 %	6,331,250	-34 %
Income tax expense (benefit) at Company's effective tax rate	\$—	0 %	\$—	0 %

## **8. 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 2,350,355,296 and 1,581,855,296 issued and outstanding as of December 31, 2016 and 2015, 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 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 December 31, 2016 and 2015.

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 December 31, 2016 and 2015.

On February 9, 2012, the Company established a 2012 Equity Compensation Plan that authorizes the Company to issue up to 50,000,000 common shares to staff or consultants for services to or on behalf of the Company. The Company filed a Registration Statement Form S-8 with the U.S. Securities and Exchange Commission on February 14, 2012, file no. 333-179501, to register the shares covered under the plan. As of December 31, 2016, the Company has issued 47,250,000 common shares as compensation under the plan to various executives and consultants of the Company.

On April 28, 2014, the Company filed a Form S-8 (file no. 333-195510) registering 6,500,000 common shares under a 2014 Stock Compensation Plan A. As of December 31, 2016, the Company has issued 6,000,000 common shares as compensation under the plan to various executives and consultants of the Company.

On July 25, 2014, Bogat Family Trust, Raymond Dabney trustee, representing a majority of Series A preferred stockholders, signed a shareholder 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 resolution or amendment.

On September 22, 2014, the Company filed a Certificate of Amendment with the Nevada Secretary of State to increase its common authorized from 850,000,000 to 1,500,000,000 shares. The number of authorized shares of common stock increased from 850,000,000 to 1,500,000,000.

On October 10, 2014, the Company filed a Form S-8 (file no. 333-199251) registering 6,500,000 common shares under a 2014 Stock Compensation Plan B. As of December 31, 2016, the Company has issued 6,000,000 common shares as compensation under the plan to various executives and consultants of the Company.

On December 5, 2014, the Company filed a Form S-8 (file no. 333-200747) registering 50,000,000 common shares under a 2014 Stock Compensation Plan C. As of December 31, 2014, the Company has issued 39,960,310 common shares as compensation under the plan to various executives and consultants of the Company.

On March 25, 2015, the Company filed a Form S-8 (file no. 333-202982) registering 50,000,000 common shares under a 2015 Stock Compensation Plan. As of December 31, 2016, the Company has issued 46,448,000 common shares as compensation under the plan to various executives and consultants of the Company.

On August 18, 2015, the Company filed a Form S-8 (file no. 333-206443) registering 50,000,000 common shares and 100,000,000 incentive stock options or Non-Statutory Stock Options under a 2015 Equity Award Plan. As of December 31, 2016, the Company has issued 48,000,000 common shares as compensation and has issued 2,500,000 Incentive Stock Options exercisable at \$0.04 a share and 97,500,000 Non-Statutory Stock Options exercisable at \$0.01 a share under the plan to various consultants and managements of the Company and 97,500,000 Non-Statutory Stock Options have been exercised at \$0.01 a share.

**During the year ended December 31, 2016, the Company issued the following common stock:**

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 fiscal year ended December 31, 2016, the Company issued stock pursuant to consulting agreements with several parties as follows:**

On February 1, 2016, the Company entered a management agreement with a consulting firm and agreed to issue 15,000,000 shares of R144 restricted common stock with a fair market value of \$180,000 for investor relation

services. The shares were issued on April 7, 2016.

On March 8, 2016, the Company issued 18,000,000 shares R144 restricted common stock to Raymond Dabney, CEO of the Company with a fair market value of \$193,842 for bonus under November 5, 2014 management agreement.

On March 8, 2016, the Company issued 20,000,000 shares R144 restricted common stock to MLS Lap BV, a company controlled a director of the Company with a fair market value of \$215,380 for bonus under June 24, 2013 management agreement.

On March 8, 2016, the Company issued 20,000,000 shares R144 restricted common stock to Chad Johnson, former COO/General Council till September 14, 2016 with a fair market value of \$215,380 for bonus and services under November 25, 2014 agreement.

On March 8, 2016, the Company issued 20,000,000 shares R144 restricted common stock to Robert Kane, COO/director of the Company with a fair market value of \$215,380 for bonus and services under January 20, 2015 agreement.

On March 22, 2016, the Company issued 10,000,000 shares of S-8 registered free-trading common stock under Scientific Advisory Board Agreement of the 2016 Equity Plan with a fair market value of \$151,000.

On May 16, 2016, the Company issued 5,000,000 shares R144 restricted common stock and 2,500,000 shares of S-8 registered free-trading common stock under an Application Development and Consulting Management Agreement of the 2015 Equity Award Plan with a fair market value of \$86,250.

On May 16, 2016, the Company issued 10,000,000 shares R144 restricted common stock under an International Government Affairs Board Member Agreement with a fair market value of \$151,000.

On July 26, 2016, the Company issued 7,500,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$90,000 for bonus and services under October 21, 2015 agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$60,000 for bonus and services under March 16, 2015 agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$60,000 for bonus and services under September 18, 2015 agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$69,000 for bonus and services under July 4, 2016 Consulting Management Agreement.

On July 26, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$60,000 for bonus and services under July 6, 2016 International Property Development Consulting Agreement.

On July 26, 2016, the Company issued 2,500,000 shares of S-8 registered free-trading common stock to Robert Kane, COO/director of the Company with a fair market value of \$30,000 for Management Fees under January 20, 2015 Executive Management Agreement.

On August 3, 2016, the Company issued 2,500,000 shares of S-8 registered free-trading common stock to a consultant with a fair market value of \$38,500 for services under August 3, 2016 Consulting Agreement.

On September 14, 2016, the Company issued 5,000,000 shares of R144 restricted common stock to Benjamin Tam, CFO/Secretary/Director of the Company with a fair market value of \$70,000 for services under September 14, 2016 Executive Management Agreement.

On October 9, 2016, the Company entered a Consulting Agreement with a Consultant to issue 1,000,000 shares of R144 restricted common stock with a fair market value of \$19,900 for services under the Consulting Agreement. The shares were issued on January 19 2017.

On October 21, 2016, the Company entered a Consulting Agreement with a Consultant to issue 15,000,000 of S-8 registered free trading common stock under 2016 Equity Award Plan B with a fair market value of \$855,000 for services under the Consulting Agreement. The shares were issued on January 27, 2017.

**During the year ended December 31, 2016, the Company issued stock pursuant to debt settlement agreements as follows:**

On February 7, 2016, the Company entered a partial debt settlement agreement with Stacey R. Lewis to retire \$45,855 of the \$75,044 in promissory notes originated on March 21, 2015 and issued 45,000,000 shares of common stock to partially settle the debt for a loss on settlement of \$588,645.

On August 10, 2016, the Company entered into a partial debt settlement agreement with Raymond C. Dabney, President/CEO/Director of the Company, to retire \$250,000 of the \$975,407 in promissory notes originated on August 9, 2016 as result of unpaid management fees and bonuses from February 9, 2012 to June 30, 2016 with no interest, and issued 250,000,000 Rule 144 restricted common shares of the Company at a deemed price of \$0.001 per share as partial payment of the promissory note to settle the debt for a loss on settlement of \$3,550,000.

The aforementioned shares for the settlement of debts were issued without legend under an exemption under Rule 144(b)(1) of the Act. Over six months has passed since the debts accrued on the books of the Company; the Seller is not now, and during the three-month period preceding the transaction has not been considered an “affiliate” of the Company. Furthermore, pursuant to Rule 144(d)(1)(i) the Company is, and has been for a period of at least 90 days immediately before the proposed sale, subject to the reporting requirements of section 13 or 15(d) of the Securities and Exchange Act of 1934, and the proposed resale of the Shares in addition to the Company not being considered a shell company under Rule 144(i)(1). All relating shares were issued to settle the debts.

**During the year ended December 31, 2016, the Company issued stock pursuant to amendment to a property license agreement as follow:**

On January 11, 2016, the Company issued 15,500,000 shares of R144 restricted common stock to Apothecary Genetics Investments with a fair market value of \$181,350 for amendment to a property license agreement on February 9, 2012.

**During the year ended December 31, 2016, the Company issued 7,500,000 common stock for legal retainer services under consulting agreement as follows:**

On August 3, 2016, the Company issued 7,500,000 shares of S-8 registered free-trading common stock to a legal advisor as retainer with a fair market value of \$90,000 for legal services under July 22, 2016 Consulting Agreement.

**During the year ended December 31 2016, the Company cancelled 15,500,000 common stock for purchase of a property as follow:**

At the year ended December 31, 2016, the Company terminated the Amended Agreement dated January 11, 2016 with Apothecary Genetics Investments to purchase a property by issuing 15,500,000 shares of R144 restricted common stock with a fair market value of \$181,350. The shares are held in escrow by the Company's attorney and are to be returned to treasury and transfer agency for cancellation.

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

On January 20, 2016, the Company issued 10,000,000 shares S-8 registered free-trading common stock exercised under Option Agreement of the 2015 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$117,000 to a consultant under a consultant agreement.



On February 22, 2016, the Company issued 7,000,000 shares S-8 registered free-trading common stock exercised under Option Agreement of the 2015 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$86,100 to a consultant under management agreement for a total Stock Option of 25,000,000 common shares with fair market value of \$307,500.

On February 22, 2016, the Company issued 6,500,000 shares S-8 registered free-trading common stock exercised under Option Agreement of 2015 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$79,950 to a consultant under management agreement for a total Stock Option of 25,000,000 common shares with fair market value of \$307,500.

On March 22, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2015 Equity Plan with exercise price at \$0.01 and a fair market value of \$75,500 to a consultant under management agreement.

On February 26, 2016, the Company approved and registered under File No. 333-209786 with Securities Exchange Commission maximum 150,000,000 common stock option (whether Incentive Stock Options or Non-Statutory Stock Options) at an exercise price of \$0.01 per share under the Company's 2016 Equity Award Plan and entered 11 Non-Statutory Stock Option Agreements with certain consultants from February 22, 2016 to May 13 2016 for a total of 146,500,000 common shares as follow:

On February 24, 2016, the Company issued 25,000,000 shares S-8 registered free-trading common stock under Option Agreement of 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$300,000 to a consultant under management agreement.

On March 22, 2016, the Company issued 10,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Plan with exercise price at \$0.01 and a fair market value of \$151,000 to a consultant under management agreement.

On March 22, 2016, the Company issued 15,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Plan with exercise price at \$0.01 and a fair market value of \$226,500 to a consultant under management agreement.

On March 22, 2016, the Company issued 15,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Plan with exercise price at \$0.01 and a fair market value of \$226,500 to a consultant under management agreement.

On March 22, 2016, the Company issued 10,000,000 shares of S-8 registered free-trading common stock under Scientific Advisory Board Agreement of the 2016 Equity Plan with a fair market value of \$151,000.

On March 22, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$75,500.

On May 10, 2016, the Company issued 18,000,000 shares of S-8 registered free-trading common stock for balance of shares exercised under an Option Agreement dated February 22, 2016 under 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$221,400 to a consultant under management agreement for a total Stock Option of 25,000,000 common shares with fair market value of \$307,500.

On May 10, 2016, the Company issued 18,500,000 shares of S-8 registered free-trading common stock for balance of shares exercised under an Option Agreement dated February 22, 2016 under 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$227,550 to a consultant under management agreement for a total Stock Option of 25,000,000 common shares with fair market value of \$307,500.

On May 13, 2016, the Company issued 5,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$75,500 to a consultant under management agreement.

On May 13, 2016, the Company issued 10,000,00 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$151,000 to Alfredo Bernardi Dupetit, President & CEO of Cannabis Science Europe GmbH.

On May 13, 2016, the Company issued 15,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$264,000 to a consultant under management agreement.

On May 13, 2016, the Company issued 10,000,000 shares of S-8 registered free-trading common stock under Option Agreement of 2016 Equity Award Plan with exercise price at \$0.01 and a fair market value of \$176,000 to a consultant under management agreement.

On September 27, 2016, the Company approved and registered under File No. 333-213833 with Securities Exchange Commission maximum 250,000,000 common stock option (whether Incentive Stock Options or Non-Statutory Stock Options) at prices to be set by Compensation Committee under the Company's 2016 Equity Award Plan B and entered 11 Incentive and Non-Statutory Stock Option Agreements with certain consultants from July 4, 2016 to October 21, 2016 for a total of 117,000,000 common shares as follow:

On July 6, 2016, the Company entered an Incentive Stock Option Agreement with a management under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$145,000. The shares were exercised on July 6, 2016 and issued on January 19, 2017.

On September 27, 2016, the Company entered a Non-Statutory Stock Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 15,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$214,500. The shares were exercised on September 27, 2016 and issued on October 7, 2016.

On September 27, 2016, the Company entered a Non-Statutory Stock Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$143,000. The shares were exercised on September 27, 2016 and issued on October 7, 2016.

On September 27, 2016, the Company entered an Incentive Stock Option Agreement with Benjamin Tam, CFO/Secretary/Director of the Company under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$143,000. The shares were exercised on September 27, 2016 and issued on October 7, 2016.

On September 27, 2016, the Company entered a Non-Statutory Stock Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 15,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$214,500. The shares were exercised on September 27, 2016 and issued on October 7, 2016.

On September 27, 2016, the Company entered a Non-Statutory Stock Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$143,000. The shares were exercised on September 27, 2016 and issued on October 7, 2016.

On September 27, 2016, the Company entered an Incentive Stock Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$143,000. The shares were exercised on September 27, 2016 and issued on October 7, 2016.

On September 27, 2016, the Company entered an Incentive Stock Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$143,000. The shares were exercised on September 27, 2016 and issued on October 7, 2016.

On September 27, 2016, the Company entered a Non-Statutory Stock Option Agreement with a consultant for International Property Development under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$143,000. The shares were exercised on September 27, 2016 and issued on October 25, 2016.

On October 3 2016, the Company entered a Non-Statutory Stock Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 30,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$291,000. The shares were exercised on October 3, 2016 and the Company issued 15,000,000 shares on November 9, 2016 and cancelled the balance of 15,000,000 shares.

On October 4, 2016, the Company entered an Option Agreement with a consultant under 2016 Equity Award Plan B at exercise price of \$0.01 to issue 2,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$42,000. The shares were exercised on October 4, 2016 and issued on November 9, 2016.

A summary of the status of the Company's option grants as of December 31, 2016 and the changes during the period then ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding December 31, 2015	4,200,000	\$ 0.195
Granted	302,000,000	\$ 0.010
Exercised	292,000,000	\$ 0.010
Expired	2,500,000	\$ 0.040
Outstanding December 31, 2016	11,700,000	\$ 0.066
Options exercisable at December 31, 2016	11,700,000	\$ 0.066

1,700,00 shares of these options at an exercise price of \$0.17 a share do no expire and continuing indefinitely for the duration of existing management agreement and services thereunder with Robert Kane, 5,000,000 shares at an exercise price of \$0.01 a share will expire on July 3, 2017, 5,000,000 shares at an exercise price of \$0.01 a share will expire on September 27, 2017 and 2,500,000 shares at an exercise price of \$0.04 a share expired on March 25, 2016.

The weighted average fair value at date of grant for options during year ended December 31, 2016 was estimated using the Black-Scholes option valuation model with the following:

Average expected life in years	2
Average risk-free interest rate	2.50%
Average volatility	90 %
Dividend yield	0 %

## **9. EQUIPMENT**

	Cost	Accumulated Depreciation	Net Book Value December 31, 2016	December 31, 2015
Equipment	\$3,000	\$3,000	\$—	\$—
Laboratory equipment	—	—	—	—
Software	5,000	5,000	—	—
Computers	5,716	5,716	—	—
	\$13,716	\$13,716	\$—	\$—

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, and 5 years for equipment and laboratory equipment.

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## **10. 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 licensing 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.

Property Farming Rights	Cost	Accumulated Depletion	2016 Net Book Value	2015 Net Book Value
Fort McDermit Allottees Land	\$50,000	\$ 2,222	\$47,778	\$ —
Washoe Tribal Allotment Lands	640,000	1,052	638,948	—
Total	690,000	3,274	686,726	—
Operating capital for Winnemucca Lands	\$65,000		\$65,000	
Total			\$751,726	

## **11. 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 shareholder of Omnicanna Health Solutions, Inc. (“Omnicanna”) since June 2013 in addition to three other board of directors of the Company and Omnicanna are the same. Therefore, the Company was deemed to have significant influence and control of Omnicanna. The Company has elected to use the fair value valuation on the Equity Investee.

On November 5, 2014, the Company recorded \$247,500 in marketable securities and \$85,427 (based on currency converted as of December 31, 2016) in loans to Omnicanna to its equity method investee account in accordance with ASC 323. An unrealized gain on the equity method account of \$144,000 was recognized for the year ended December 31, 2016 in addition to an impairment on the equity method investee account of \$114,000 was recognized for the year ended December 31, 2015 due to the non-temporary decline in the value of Omnicanna marketable securities.

**12. INTANGIBLE ASSETS**

	December 31, 2016	December 31, 2015
Intellectual assets, primarily intellectual property	\$660,299	\$660,299
Goodwill	170,688	170,688
Less: Accumulated amortization	(488,299)	(445,299)
Less: Impairment of Goodwill	(170,689)	0
Total intangible assets, net	\$172,000	\$385,689

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

### **13. 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.

Prepaid consulting expenses	\$ 141,750	\$ 156,750
Prepaid Legal fees	90,000	—
Prepaid rent	244	—
Deposits held with RMS	576,520	—
Total Prepaid expenses and Deposits held with RMS	\$ 808,514	\$ 156,750

### **14. DEPOSITS**

On November 20, 2014, the Company signed an amendment to the license agreement with Apothecary Genetics Investments LLC ("Apothecary"). Pursuant to the amendment, the Company is acquiring all property, building, and equipment of Apothecary. The Company issued 14,500,000 R144 common stock to Apothecary with a market value of \$971,500. On January 11, 2016, the Company signed a second amendment to the license agreement with Apothecary. Pursuant to the second amendment, the Company issued 15,500,000 shares of R144 restricted common stock with a fair market value of \$181,350 to purchase a property located in northern California and wrote off the deposit of \$971,500 as the research and development with Apothecary was unsuccessful. At the year ended December 31, 2016, the Company terminated the Amended Agreement dated January 11, 2016 due to refusal by Apothecary at end of July 2016 to transfer the northern California property to the Company unless the Company pay additional cash or shares to them. The shares in escrow are to be returned to treasury and transfer agency for cancellation.

### **15. 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.

## **16. SUBSEQUENT EVENTS**

Subsequent to the year ended December 31, 2016, the following transactions occurred:

On January 3, 2017, the Company entered a Research Collaboration Agreement with Dana-Farber Cancer Institute, Inc. of Boston Massachusetts (DFCI) 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 DFCI.

On January 13, 2017, the Company entered a two-year consulting agreement to issued 10,000,000 shares of S-8 registered free-trading common stock with a fair market value of \$700,000, and 10,000,000 options with a fair market value of \$700,000 to purchase S-8 registered free-trading common stock with an exercise price of \$0.05 under the 2016 Equity Award Plan B, plus 5,000,000 shares of R144 restricted common stock with a fair market value of 350,000. All the shares and share options were exercised and issued on February 16, 2017.

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 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 as intellectual properties. The Company has paid €60,000 on May 10, 2017 to the principal shareholder of Jinvator and the acquisition is pending on verifications of key information.

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 pursuant to a one-year consulting agreement.

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 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 March 27, 2017, the Company entered an Asset Purchase Agreement with AFA Research and Development (ARD) and Aja Fonseca Arnold (AJA) to purchase all the assets, technology, intellectual property, titles, and interest in ARD for \$750,000. ARD and AJA shall assume all liabilities and obligations of their assets. AJA has entered a five-year management agreement with the Company to exclusively manage and operate all tasks related to product development/creation and patient programs of the Company. The Agreement has been completed on 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 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 8, 2017, the Company issued 7,000,000 shares of R144 restricted common stock with a fair market value of \$469,000 pursuant to a one-year consulting agreement.

On May 17, 2017, the Company issued 1,500,000 shares of R144 restricted common stock with a fair market value of \$93,600 pursuant to a one-year consulting agreement.

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.

On May 31, 2017, \$375,000 in Accounts Payable for management fees accumulated from January 1, 2017 to May 31, 2017 was settled by issuance of a one-year Convertible Promissory Note to Royalty Management Services Corp. At the election of the note holder, it can be converted into common stock of the Company at the par value of \$0.001 a share or other mutually agreed upon price. The Company has fully recognized the conversion discount of the Note as prepaid interest to the maximum amount of \$375,000 in accordance with ASC 470-20-30-8 and amortize it over the life of the Note.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There were no disagreements with accountants on accounting and financial disclosure during the relevant period.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### Evaluation of Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2016. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer, and chief financial officer / principal financial officer who concluded that our disclosure controls and procedures are not effective to ensure that all material information required to be filed in the annual report on Form 10-K has been made known to them.

Disclosure, controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by in our reports filed under the Securities Exchange Act of 1934, as amended (the "Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation conducted for the year ended December 31, 2016, our Chief Executive and Chief Financial Officer as of December 31, 2016, and as of the date of this Report, has concluded that as of the end of the periods covered by this report, we have identified the following material weakness of our internal controls:

Reliance upon independent financial reporting consultants for review of critical accounting areas and disclosures and material non-standard transactions.

Failure of management to provide timely information for financial reporting resulting in late filings.



Lack of sufficient accounting staff which results in a lack of segregation of duties necessary for a good system of internal control.

The Company has increased services and related staffing through its business and financial consulting contractor to remedy existing internal control deficiencies.

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Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework at December 31, 2016. Based on its evaluation, our management concluded that, as of December 31, 2016, our internal control over financial reporting was not effective because of limited staff and a need for a full-time chief financial officer. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

#### Changes in Internal Controls over Financial Reporting

We have not yet made any changes in our internal controls over financial reporting that occurred during the period covered by this report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

Identification of Directors and Executive Officers of the Company:

As of December 31, 2016, our officers and directors were as follows:

NAME	AGE	OFFICE	SINCE
Raymond C. Dabney	52		2014

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		CEO and Director	
Benjamin Tam.	65	CFO, Secretary and Director	2016
Robert Kane	41	COO and Director	2013
Mario Lap	65	Director, President of European Operations	2013
Alfredo Dupetit	55	President & CEO of German Operations	2015
Dr. Allen A. Herman	62	Chief Medical Officer	2015
Dr. Roscoe M. Moore, Jr.	63	Chair of Scientific Advisory Board	2015

The Directors named above will serve until the next annual meeting of our stockholders. Thereafter, Directors will be elected for one-year terms at the annual stockholders' meeting. Officers will hold their positions at the pleasure of the Board of Directors. There is no arrangement or understanding between the Directors and Officers of the Company and any other person pursuant to which any Director or Officer was or is to be selected as a Director or Officer of the Company.

There are no family relationships between or among any Officer and Director.

On November 5, 2014, Raymond Dabney was appointed CEO and director of the Company and subsidiaries



Mr. Dabney has been working as a managing consultant with the Company since October 2008. Mr. Dabney will serve as Director and officer until his duly elected successor is appointed or he resigns. There are no arrangements or understandings between Mr. Dabney and any other person pursuant to which he was selected as an officer or director. There are no family relationship between Mr. Dabney and any of our officers or directors. Mr. Dabney has been director and CEO of Crown Baus Capital Corp. (OTC: CBCA) since January 13, 2015 and controlling shareholder of CBCA since February 2014. During the past five years, Mr. Dabney has not held any other directorships in a company with a class of securities registered pursuant to section 12 of the Exchange Act or subject to the requirements of section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940. Mr. Dabney is trustee of Bogat Family Trust a controlling shareholder of the Company since September 2009 and owner of 1,000,000 shares of Series A preferred stock with 67% voting control of the Company.

Benjamin Tam joined the Company since September 14, 2016 and continue to serve as Director, CFO and Secretary until his duly elected successor is appointed or he resigns. He is a member of Chartered Professional Accountants (CPA) / Certified General Accountant (CGA) and obtained his CGA through University of British Columbia. He also holds a diploma of Business Administration from Lethbridge Community College, Alberta.

Mr. Robert Kane worked as a registered representative for Stifel Nicolaus & Co. from November 2008 to December 2009. From January 2010 to February 2011, Mr. Kane worked as president of Cannabis Consulting, Inc. Mr. Kane has worked as CFO of Cannabis Science since November 2013 to September 14, 2016, then he resigned as CFO and accepted a position as COO from September 14, 2016 and vice president of investor relations since September 2011.

Mario Lap has core competencies in IT and Substance Use Consultancy, Drug Policy, Digitalization, Project Management, Communication, Consulting Selling, Consultancy, Process management, Networker, Advise, IT / Internet Experience, Languages, Presentation, Innovation, has previously held the following positions: January 1, 1995 to present Director Drugtext Foundation; March 24, 1992 to present Director, MLS Lap bv internet health services; January 1, 2012 to present Director RJM bv, holding company; January 1, 2007 Apcare bv Schiphol-Rijk The Netherlands; January 1, 2005 to January 1, 2006 Director Yalado International bv, Online Backup March 2, 1999 to January 1, 2006 Director/founder Calyx Internet bv, Security focussed ISP and IT development company, Amsterdam, the Netherlands; January 1, 1994 to February 7, 2000 Director Calyx Corporation, Internet Service Provider, New York USA; January 1, 1991 to December 31, 1996 Visiting professor at the Rechercheschool, National Educational Institution of the Dutch police (Zutphen, The Netherlands); January 1, 1989 to December 31, 1994 Head of the legal and policy department of the Netherlands Institute for Alcohol and other Drugs, Utrecht The Netherlands); January 1, 1970 to December 31, 1985 Sales department, sales manager and general manager Loe Lap department stores; and January 1, 1994 to present Numerous International publications in Dutch, English, French and German as well Dutch and foreign TV and radio appearances and interviews (such as CNN, BBC, France 2, RTL and Dutch public and commercial TV).

Alfredo Dupetit rejoined the Company since September 1, 2015 as President & CEO of Cannabis Science GmbH, a 90% controlling interest of the Company and 10% owned by Dupetit Natural Products GmbH, responsible for

international product development. He has been dedicated to breeding, production and extraction of cannabinoids since 1996 as flavoring agent through his company, LUCUS SRL in Uruguay. He found Dupetit Natural Products GmbH since January 2014 and specialize in legal cannabis extracts, CBDA, CBD, Dronabinol, CBN, CBDV, THCV, greenhouse technology, lighting, fertilizing, harvesting, drying, curing and packing of cannabis under GAP and GMP control.

We have no audit committee. The Company has a compensation committee consisting of two directors, Raymond C. Dabney, CEO and Benjamin Tam, CFO.

### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Mario Lap, director and director and officer of EU subsidiaries did not file required reports under Section 16(a) of the Securities Exchange Act of 1934 during the fiscal year ended December 31, 2016. The Company has instructed Mr. Lap to file the required reports and Mr. Lap has assured the Company that he is working with his attorney to file the required reports.

To our knowledge, based solely on its review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2016, all other Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

### **Code of Ethics**

#### **Code of Ethics for the Chief Executive Officer, the Principal Financial Officer, and the Chief Operating Officer.**

Our Board of Directors has adopted the Code of Ethical and Professional Standards of National Healthcare Technology, Inc. (predecessor to Cannabis Science, Inc.) and Affiliated Entities Code of Business Conduct and Ethics that applies to its officers and employees effective on April 11, 2007. We will provide any person without charge, a copy of our code of ethics, upon receiving a written request in writing addressed to the Company at the Company's address, attention: Secretary.

**ITEM 11. EXECUTIVE COMPENSATION**

During the year ended December 31, 2016, the Company accrued a total of \$1,667,800 in executive and prepaid stock compensation that includes \$303,318 paid for management fees and salaries. <sup>1</sup> The table below shows the compensation split:

	Cash / Accrued Compensation	Stock Issuances	Total Compensation
Raymond Dabney	\$ 225,000	\$ 193,842	\$ 418,842
Benjamin Tam	—	113,000	113,000
Robert Kane <sup>1</sup>	15,000	245,380	260,380
Dr. Allen Herman	—	70,500	70,500
Dr. Roscoe Moore	—	260,000	260,000
Mario Lap <sup>1</sup>		215,380	215,380
Alfredo Dupetit	18,318	51,000	69,318
Chad S. Johnson *	45,000	215,380	260,380
	\$ 303,318	\$ 1,364,482	\$ 1,667,800

<sup>1</sup> Including amounts paid through officer and director controlled management companies.

\*former director and COO



## Employment Agreements

Currently, the Company has management agreements with Raymond C. Dabney, CEO; Benjamin Tam, CFO; Robert Kane, COO; Dr. Allen Herman, Chief Medical Officer; Dr. Roscoe M. Moore, Jr., Chair of Scientific Advisory Board; Mario Lap, Director and director and office of European subsidiaries; Alfredo Dupetit, President & CEO of Cannabis Science Europe GmbH; and Bogat Family Trust, Raymond C. Dabney, trustee.

## Compensation of Directors

Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meeting of the Board of Directors.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATES STOCKHOLDER MATTERS

The following tabulates holdings of shares of the Company by each person who, subject to the above, at the date of this Report, holds of record or is known by Management to own beneficially more than five percent (5%) of our common stock and, in addition, by all of our directors and officers individually and as a group.

NAME AND ADDRESS	NUMBER OF SHARES OWNED BENEFICIALLY	PERCENT OF SHARES OWNED
Raymond C. Dabney 900 – 555 Burrard St. Vancouver, BC V7X 1M8 Canada	292,726,000	11.87%
Bogat Family Trust <sup>(1)</sup> Suite 530-650 41st Ave W Vancouver, BC V5Z 2M9 Canada	46,926,333	1.90%
Benjamin Tam <sup>(2)</sup> 8820 Rosehill Dr. Richmond, BC V7A 2K3 Canada	5,000,000	0.20%
Robert Kane <sup>(2)</sup>	14,436,485	0.58%

6946 N Academy Blvd  
Suite B #254  
Colorado Springs, CO 80918

Mario Lap <sup>(2)</sup>

Koninginneweg 189

26,000,000

1.05%

1075 CP

Amsterdam, The Netherlands

Alfredo Dupetit

Hauptstrasse 41 D-63930 Neunkirchen

10,000,000

0.40%

Richelbach, Germany

Dr. Allen Herman <sup>(2)</sup>

1455 Crestridge Drive

15,000,000

0.60%

Silver Spring, Maryland 20910

Dr. Roscoe M. Moore, Jr. <sup>(2)</sup>

14315 Arctic Avenue

10,000,000

0.40%

Rockville, Maryland 20853

Chad S. Johnson <sup>(3)</sup>

6946 N Academy Blvd

17,420,323

0.71%

Suite B #254

Colorado Springs, CO 80918

ALL DIRECTORS AND EXECUTIVE  
OFFICERS

437,509,141

17.74%\*

\*Based on 2,466,805,296 issued and outstanding common stock as of May 24, 2017.

<sup>(1)</sup> Raymond Dabney, CEO and director, is trustee of Bogat Family Trust, a British Columbia family trust and 67% voting control shareholder of the Company.

<sup>(2)</sup> Officer and Director.

<sup>(3)</sup> Former Officer and Director.

## Changes in Control

There are no arrangements known by us, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change of control of the Company.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

During the year the following transactions occurred between the Company and certain related parties:

At December 31, 2016, a total of \$191,344 (December 31, 2015: \$191,344) was due to Bogat Family Trust (“Bogat”), Raymond Dabney the Company’s CEO and director as trustee. \$447 (December 31, 2015: \$447) officer advance was due to the Company’s former President, Robert Melamede. \$93,885 is due to MJR BV owned by Mario Lap a Company director and director and officer of EU subsidiaries. The amounts due are non-interest bearing, unsecured and have no specified terms of repayment.

Dr. Melamede, former CEO, also performs management services to the Company under Management Consulting Agreements signed on February 9, 2012, January 1, 2013, and May 20, 2014. For the year ended December 31, 2016 and December 31, 2015, \$0 and \$8,643 were expensed for services under the Agreements.

Bogat Family Trust, Raymond Dabney trustee, and Raymond Dabney, CEO perform management services to the Company under Management Agreements signed on January 1, 2013 and February 9, 2012, respectively. Mr. Dabney signed a new 5-year Management Agreement on November 5, 2014 in conjunction with his appointment as CEO and director. For the year ended December 31, 2016 and December 31, 2015, \$418,842 and \$752,036 were expensed for services under the Agreements.

Raymond Dabney, CEO has been a controlling shareholder of ImmunoClin Corporation (OTC: IMCL) through the consummation of two separate share purchase agreements with Caster Management Services, Inc. dated January 14, 2015. Mr. Mark Jordan is the sole Director, Officer, and Shareholder of Castor Management Services, Inc., from inception. Chad S. Johnson has been a director and COO/General Legal Counsel of IMCL since November 8, 2013. Dorothy Bray, former CEO and director of the Company has been CEO and director of IMCL since December 13, 2013. ImmunoClin performs laboratory services and pharmaceutical development for the Company through its wholly-owned subsidiary ImmunoClin Limited that operates a laboratory at the London Biosciences Centre in London, UK.

Former CEO and director Dorothy Bray, Ph.D. signed a new consulting agreement on November 5, 2014 to continue providing scientific consulting services to the Company till end of December 2016.

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 MJR BV and MLS Lap 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 in fiscal 2016 at which time Mario Lap under fiduciary duty will transfer all business operating activities, agreements, and assets to the Company.

The Company does not have any independent directors.

See Notes 5 and 7 of the Financial Statements for related party transaction details.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

### (1) AUDIT FEES

The aggregate fees billed for professional services by our auditors, for the audit of the registrant's annual financial statements and review of the financial statements included in the registrant's Form 10-K or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for fiscal year 2016 was \$34,200 and in 2015 was \$28,000.

### (2) AUDIT-RELATED FEES

The aggregate fees billed for professional services by our auditor include amounts paid for the review of the unaudited financial statements included in the registrant's Form 10-Q were approximately \$56,547.

### (3) TAX FEES

NONE

### (4) ALL OTHER FEES

NONE

### (5) AUDIT COMMITTEE POLICIES AND PROCEDURES

Audit Committee Financial Expert

The Securities and Exchange Commission has adopted rules implementing Section 407 of the Sarbanes-Oxley Act of 2002 requiring public companies to disclose information about "audit committee financial experts." As of the date of this Annual report, we do not have a standing Audit Committee. The functions of the Audit Committee are currently assumed by our Board of Directors. Additionally, we do not have a member of our Board of Directors that qualifies as an "audit committee financial expert." For that reason, we do not have an audit committee financial expert.

(6) If greater than 50 percent, disclose the percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

Not applicable.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as part of this Form 10-K:

Financial Statements: Consolidated Balance Sheets, Consolidated Statements of Operations, Statement of (1) Stockholders' Equity (Deficit), Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements.

#### (2) Financial Statement Schedules

Financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the consolidated financial statements or notes described in Item 15(1) or Item 15(3).

#### (3) Exhibits

The exhibits listed in the Exhibit Index are incorporated herein by reference and/or are filed as part of this Form 10-K.

Exhibit No.	Document Description	Filed Herewith
10.1	Management Agreement	X
10.2	Management Agreement	X
10.3	Management Agreement	X
10.4	Management Agreement	X
10.5	Management Agreement	X
10.6	Management Agreement	X
10.7	Management Agreement	X
10.8	Management Agreement	X
10.9	Management Agreement	X
10.10	Management Agreement	X
10.11	Management Agreement	X
10.12	Management Agreement	X
10.13	Management Agreement	X
10.14	Consulting Agreement	X
10.15	Consulting Agreement	X
10.16	Consulting Agreement	X
10.17	Debt Settlement Agreement	X

10.18	Debt Settlement Agreement	X
10.19	Legal Services Agreement	X
10.20	Option Agreement	X
10.21	Option Agreement	X
10.22	Option Agreement	X
10.23	Option Agreement	X
10.24	Option Agreement	X
10.25	Option Agreement	X
10.26	Option Agreement	X
10.27	Option Agreement	X
10.28	Option Agreement	X
10.29	Option Agreement	X
10.30	Option Agreement	X
10.31	Option Agreement	X
10.32	Option Agreement	X
10.33	Option Agreement	X
10.34	Option Agreement	X
10.35	Option Agreement	X
10.36	Option Agreement	X
10.37	Option Agreement	X
10.38	Option Agreement	X
10.39	Option Agreement	X
10.40	Option Agreement	X
10.41	Option Agreement	X



Exhibit	Document	Filed Herewith
No.	Description	
10.42	Option Agreement	X
10.43	Option Agreement	X
10.44	Property JV Agreement	X
10.45	Property Master Facilitator Agreement	X
10.46	Property Master Facilitator Agreement	X
10.47	Property Master Facilitator Agreement	X
10.48	Property Master Facilitator Agreement	X
10.49	Property Master Facilitator Agreement	X
10.50	Property Master Facilitator Agreement	X
10.51	Property Master Facilitator Agreement	X
10.52	Property Master Facilitator Agreement	X
10.53	Property Master Facilitator Agreement	X
10.54	Property Master Facilitator Agreement	X
10.55	Research and Development Agreement	X
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 Robert Kane, Chief Financial Officer, as required under Section 302 of Sarbanes-Oxley Act of 2002.	X
32.1	Certification as required under Section 906 of Sarbanes-Oxley Act of 2002.	X
32.2	Certification as required under Section 906 of Sarbanes-Oxley Act of 2002.	X

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.**

By: /s/ Raymond C. Dabney

Raymond C. Dabney, Chief Executive Officer, Director

Date April 12, 2019

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

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Raymond C. Dabney</u> Raymond C. Dabney	Chief Executive Officer and Director	April 12, 2019
<u>/s/ Benjamin Tam</u> Benjamin Tam	Chief Financial Officer and Director	April 12, 2019



