

CANNABIS SCIENCE, INC.
Form 10-Q
July 28, 2015

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

FORM 10-Q

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

For the quarterly period ended: March 31, 2015

or

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

For the transition period from _____ to _____

Commission File Number: 001-28911

CANNABIS SCIENCE, INC.

(Exact name of registrant as specified in its charter)

Nevada

91-1869677
(I.R.S. Employer Identification No.)

Edgar Filing: CANNABIS SCIENCE, INC. - Form 10-Q

(State or other jurisdiction of incorporation or
organization)

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

80918

(Address of principal executive offices)

(Zip Code)

888-889-0888

(Registrant's telephone number, including area code)

-

—

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

-

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a not-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer []

Non-accelerated filer ☐ Smaller reporting company ☒

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

Number of common shares outstanding at July 27, 2015: 1,282,155,296

Number of common shares outstanding at March 31, 2015: 1,179,207,296

Number of Class A common shares outstanding at July 27, 2015: 0

CANNABIS SCIENCE, INC.

FORM 10-Q

For the Period Ended March 31, 2015

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.

Consolidated Financial Statements

Page

3

3

3

Item 2.	4
Management's Discussion and Analysis of Financial Condition and Results of Operations	
Item 3.	7
Quantitative and Qualitative Disclosures about Market Risk	
Item 4.	7
Controls and Procedures	
PART II OTHER INFORMATION	8
Item 1.	8
Legal Proceedings	
Item 1A. Risk Factors	8
Item 2.	9
Unregistered Sales of Equity Securities and Use of Proceeds	
Item 3.	9
Defaults Upon Senior Securities	
Item 4.	9
Mine Safety Disclosures.	
Item 5.	9
Other Information	
Item 6.	10
Exhibits and Certifications	

PART 1 FINANCIAL INFORMATION.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CANNABIS SCIENCE, INC.

	Page
	No.
Consolidated Balance Sheets as at March 31, 2015 and December 31, 2014	F-1
Consolidated Statements of Operations and Other Comprehensive Income (Loss) for three months ended March 31, 2015 and 2014	F-2
Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014	F-3
Notes to Consolidated Financial Statements	F-4

CANNABIS SCIENCE, INC.

CONSOLIDATED BALANCE SHEETS

March 31, 2015 and December 31, 2014

	March 31, 2015 (unaudited)	December 31, 2014
	\$	\$
ASSETS		
Current Assets		
Cash	37,524	10,061
Other receivables	7,696	8,670
Prepaid expenses and deposits	140,788	97,626
Loans receivable, related party	-	50,000
Total current assets	186,008	166,357
Deposits (Note 8)	971,500	971,500
Equity method investee (Note 8)	195,219	243,969
TOTAL ASSETS	1,352,727	1,381,826
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities		
Accounts payable	250,907	153,094
Accrued expenses, primarily management fees (Note 4)	1,598,307	1,716,807
Advances from related parties (Note 4)	255,032	203,892
Management bonuses	300,000	300,000
Notes payable to stockholders (Note 5)	1,400,658	1,581,486
Total current liabilities and total liabilities	3,804,904	3,955,279

Commitments (Note 9)

Stockholders Deficit

Series A Preferred stock, \$0.001 par value, 1,000,000 shares authorized, 1,000,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	1,000	
Common stock, \$.001 par value, 1,500,000,000 shares authorized, 1,179,207,296 issued and outstanding as of March 31, 2015 and 1,032,123,906 at December 31, 2014	1,179,208	1,032,124
Common stock, Class A, \$.001 par value, 100,000,000 shares authorized, 0 issued and outstanding as of March 31, 2015 and December 31, 2014	-	-
Prepaid consulting	(8,276,062)	(4,448,696)
Additional paid-in capital	118,439,282	110,256,424
Accumulated deficit	(113,734,775)	(109,393,306)
Cumulative exchange translation	(52,305)	(20,999)
Equity attributable to common shareholders	(2,443,652)	(2,573,453)
Non-controlling interest	(8,525)	
Total stockholders' deficit	(2,452,177)	(2,573,453)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	1,352,727	1,381,826

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

CANNABIS SCIENCE, INC.**CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE LOSS****FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014****(UNAUDITED)**

	For the three months	
	ended March 31,	
	2015	2014
	\$	\$
Revenue	-	1,031
Operating Expenses		
Investor relations	5,000	-
Professional fees	25,040	15,215
Net loss on settlement of liabilities	2,358,076	2,116,500
Depreciation and Amortization	-	21,768
Research and development	197,336	-
General and administrative	1,651,092	3,058,091
Total operating expenses	4,236,544	5,211,574
Net Operating Profit (Loss)	(4,236,544)	(5,210,543)
Other income (expense)		
Interest income, net	-	-
Interest expense, net	(280)	(60)
Impairment of goodwill	(64,421)	-
Debt extension expense	-	(833,000)
Warrant expense	-	(97,894)
Unrealized gain (loss) on marketable common stock	(48,750)	314,250
Total other income (expense)	(113,451)	(616,704)
Net Loss	(4,349,995)	(5,827,247)
Less: Net loss attributable to non-controlling interest	8,525	-
Net loss attributable to common shareholders	(4,341,470)	(5,827,247)
Other Comprehensive Income		
Foreign exchange translation adjustment	(31,306)	-
Total other comprehensive income	(31,306)	-
Comprehensive loss attributable to Cannabis Science, Inc.	(4,372,776)	(5,827,247)
Net loss per common share		
- Basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	1,052,605,692	833,862,795

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

F-2

CANNABIS SCIENCE, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE THREE MONTHS ENDED****MARCH 31, 2015 AND 2014****(Unaudited)**

	March 31, 2015	March 31, 2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss including non-controlling interest	(4,349,995)	(5,827,247)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	-	625
Amortization	-	21,143
Stock issued for services	1,713,671	2,871,632
Stock issued for the extension of debt	-	833,000
Equity method investee, OmniCanna Health Solutions	48,750	-
Foreign exchange translation adjustment	(31,306)	-
Loss on settlement of liabilities	2,358,076	2,116,500
Changes in operating assets and liabilities:		
Other receivables	974	-
Prepaid expenses and deposits	(43,162)	(3,564)
Accounts payable	97,815	(16,757)
Accrued expenses, primarily management fees	(118,500)	146,509
Loans receivable, related parties	50,000	-
Net cash used in operating activities	(273,677)	(74,515)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	51,140	-
Proceeds from sale of common stock	250,000	940,000
Net cash provided by financing activities	301,140	940,000
Net increase in cash	27,463	865,485
Cash, beginning of period	10,061	943
Cash, end of period	37,524	866,428
SUPPLEMENTAL CASH FLOW INFORMATION:		
Common stock issued for services	5,541,037	2,871,632

Edgar Filing: CANNABIS SCIENCE, INC. - Form 10-Q

Common stock issued for settlement of debt	2,538,904	2,146,000
Common stock issued for extension of debt	-	833,000
Non-controlling interest		-
Warrant expense	-	97,894
Debt converted into common stock	180,828	29,500
Accounts payable and expenses paid through note payable, stockholder	-	13,500

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

F-3

CANNABIS SCIENCE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 7, 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 OTCBB: CBIS.

Cannabis Science, Inc. is at the forefront of medical marijuana research and development. The Company works with world authorities on phytocannabinoid science targeting critical illnesses, and adheres to scientific methodologies to develop, produce, and commercialize phytocannabinoid-based pharmaceutical products. In sum, we are dedicated to the creation of cannabis-based medicines, both with and without psychoactive properties, to treat disease and the symptoms of disease, as well as for general health maintenance.

The Company formed two operating subsidiaries Cannabis Science BV and Cannabis Science International Holding BV in The Netherlands on May 10th and May 6th, 2013, respectively, to pursue business opportunities in Europe and worldwide. There are currently minimal operations in the subsidiaries. Mario Lap, director of the Company and director and officer of the EU subsidiaries operates and manages the subsidiaries. Currently, Mario Lap is developing the Company's business and operations in Netherlands and Spain along with products for commercial release.

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.

On November 20, 2014, the Company signed an amendment to the license agreement with Apothecary Genetics Investments LLC. Pursuant to the amendment, the Company is acquiring all property, building, and equipment of Apothecary. The Company anticipates closing the purchase in fiscal 2015 once all assets are identified with supported fair market values and the transfer of land title is completed.

On February 20, 2015, the Company closed on the acquisition of additional 30.1% interest in Michigan Green Technologies LLC (MGT), bringing the Company's ownership position to 50.1% controlling interest. MGT is working on various Michigan initiatives with state government to legalize and commercialize medical cannabis business, as was done in Colorado, Washington State, and other U.S. states. The Company recognized \$51,367 in goodwill related to the MGT acquisition.

On May 27, 2015, the Company entered into a collaborative drug development deal with IGX Bio 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. The collaboration between IGX Bio and the Company will provide a scientific evaluation of GenePro® and CS-TATI-1 to demonstrate the enhanced potential of therapeutic vaccination and the anti-inflammatory effects of cannabinoids to deter disease progression in AIDS patients unable to control HIV replication.

F-4

B. Basis of Presentation

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

Interim Financial Reporting

While the information presented in the accompanying interim consolidated financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"). These interim financial statements follow the same accounting policies and methods of application as used in the December 31, 2014 audited financial statements of Cannabis Science, Inc. (the Company). All adjustments are of a normal, recurring nature. Interim financial statements and the notes thereto do not contain all of the disclosures normally found in year-end audited financial statements and these Notes to Financial Statements are abbreviated and contain only certain disclosures related to the three month periods ended March 31, 2015 and 2014. It is suggested that these interim financial statements be read in conjunction with the Company's audited financial statements and related notes for the year ended December 31, 2014 included in our Form 10-K filed with the SEC on file no. 000-28911 on April 21, 2015. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that can be expected for the year ending December 31, 2015.

The following subsidiaries and controlling interests are included with the consolidated financial statements of the Company for the three months ended March 31, 2015:

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. Minimal business and operating activities have commenced in the subsidiaries as of March 31, 2015.

On August 6, 2014, the Company signed a proposal letter with Michigan Green Technologies, LLC (MGT) to acquire an additional 30.1% equity in MGT that would increase the Company's equity ownership to 50.1%. As consideration for acquiring the additional 30.1% equity, the Company agreed to issue shares to the principals and shareholders of MGT.

On February 20, 2015, the Company formalized the August 6, 2014 proposal letter and closed on the acquisition of MGT. As consideration for the additional 30.1% equity in MGT, increasing the Company's ownership to a 50.1% controlling interest, the Company issued 1,200,000 shares of common stock with a fair market value of \$60,000 to shareholders of MGT for services rendered pursuant to two-year consulting agreements. The Company closed on the acquisition of MGT on February 20, 2015.

On March 3, 2015, the Company entered into a 10-year management agreement with John Dalaly, principal of MGT, and issued 12,500,000 shares of common stock with a fair market value of \$625,000 for services to be rendered related to the MGT business and operations.

For other accounting policies please refer to the Company's Form 10-K with the SEC on file no. 000-28911 April 21, 2015.

The Company qualifies as an emerging growth company as defined in Section 101 of the Jumpstart our Business Startups Act (JOBS Act) as we do not have more than \$1,000,000,000 in annual gross revenue and did not have such amount as of December 31, 2014, our last fiscal year. We are electing to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act.

2. GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern. The Company reported an accumulated deficit of \$113,734,775 and had a stockholders' deficit of \$2,452,177 at March 31, 2015.

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 March 31, 2015, 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.

The Company raised \$250,000 through a private sale of common stock in the three months ended March 31, 2015. Notwithstanding, we anticipate that we will have to raise additional capital to fund research and development and

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 commitments 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 that has resulted substantial dilution to existing investors.

F-5

3. FAIR VALUE MEASUREMENTS AND DISCLOSURES

ASC Topic 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

4. RELATED PARTY TRANSACTIONS

At March 31, 2015, a total of \$191,344 (December 31, 2014: \$191,344) in loans payable was due to Bogat Family Trust, Raymond Dabney as trustee, and \$0 to Raymond Dabney (December 31, 2014: \$6,166). The loan amounts due are non-interest bearing, unsecured and have no specified terms of repayment. Raymond Dabney was appointed President/CEO signed a new management agreement on November 5, 2014 .

At March 31, 2015, the Company owes \$10,741 (2014: \$0) to MJR B.V. which is owned and controlled by Mario Lap director and director and officer of EU subsidiaries. The loan is unsecured, non-interest bearing, and due upon demand.

On March 27, 2015, the Company's CFO, Robert Kane, loaned Michigan Green Technologies LLC (MGT) \$52,500 secured by a non-interest bearing promissory note due within 30 days of MGT liquidating shares in Cannabis Science, Inc. to repay the debt. The loan is unsecured, non-interest bearing, and due upon demand. As of February 20, 2015, the Company closed on its acquisition and now owns a majority 50.1% interest in MGT.

At March 31, 2015, the Company held 7,500,000 common shares with a fair market value of \$108,750 in OmniCanna Health Solutions, Inc. (formerly Endocan Corporation) (OHS) representing approximately 8.6% of the issued and outstanding shares of OHS. The value of the shares at March 31, 2015 was determined to be \$0.0145 per share or \$108,750 with the Company recording an unrealized loss of \$48,750 for the three months ended March 31, 2015 and an unrealized gain of \$314,250 for the three months ended March 31, 2014. Robert Kane, CFO and director is also the CFO and a director of OHS and Chad S. Johnson, Esq., COO, general counsel and a director is also a director and general counsel for OHS. Raymond C. Dabney is a controlling shareholder of both the Company and OHS.

For the three months ended March 31, 2015, the following related party management fees and stock-based compensation was recorded:

Related Party	Position	Amount
Raymond Dabney ¹	CEO and Director	\$ 232,425

Edgar Filing: CANNABIS SCIENCE, INC. - Form 10-Q

Dr. Richard Ogden	CSO	3,092
Robert Kane	CFO and Director	117,736
Chad S. Johnson, Esq.	COO, General Counsel, and Director	74,708
Mario Lap	Director	<u>30,808</u>
		<u>—</u>
		\$458,769

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

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

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 and pharmaceutical development for the Company through its wholly-owned subsidiary ImmunoClin Limited that operates a laboratory at the London Biosciences Centre.

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 company 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 its Spanish subsidiaries setup by the end of fiscal 2015.

F-6

5. NOTES PAYABLE

As at March 31, 2015, a total of \$1,400,658 (December 31, 2014: \$1,581,486) 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 May 30, 2012 through February 7, 2015.

\$150,000 in non-interest bearing unsecured promissory notes are due to Richard Cowan, former director and CFO of the Company. On January 15, 2015, the Company entered into a debt settlement agreement and issued 15,000,000 shares of common stock, subsequent to the quarter ended March 31, 2015, on April 7, 2015 to settle the \$150,000 owing to Mr. Cowan.

As of March 31, 2015, the Company is default on \$1,380,156 in promissory notes due and is negotiating with the debtors to extend the due dates and/or settle the debt.

6. EQUITY TRANSACTIONS

The Company is authorized to issue 1,500,000,000 shares of common stock with a par value of \$0.001 per share. These shares have full voting rights. There were 1,179,207,296 shares issued and outstanding as of March 31, 2015.

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 shares issued and outstanding as of March 31, 2015.

The Company is also authorized to issue 1,000,000 shares of Series A preferred stock, with a par value of \$0.001 per share. These shares have full voting rights of 1,000 votes per share. There were 1,000,000 shares issued and outstanding as of March 31, 2015.

During the three months ended March 31, 2015, the Company issued 101,255,310 shares of common stock for services under various executive and consulting agreements.

On January 15, 2015, the Company issued 15,000,000 shares of Rule 144 restricted common stock with a fair market value of \$997,500 for settlement of \$150,000 in liabilities for loss on settlement of \$847,500.

On February 20, 2015, the Company issued 30,828,080 common shares for settlement of \$30,828 of stockholder debt with Intrinsic Capital Corp., for a loss on settlement of \$1,510,576, from the stockholder notes payable originating on July 23, 2013 (\$18,328), August 15, 2013 (\$1,250), August 30, 2013 (\$1,250), and September 9, 2013 (\$10,000).

On March 27, 2015, the Company's CFO, Robert Kane, loaned Michigan Green Technologies LLC \$52,500 secured by a non-interest bearing promissory note due within 30 days of MGT liquidating shares in Cannabis Science, Inc. to repay the debt. As of February 20, 2015, the Company closed on its acquisition and now owns a majority 50.1% interest in MGT.

Stock Options:

The following options were issued to Robert Kane, CFO and Director for services rendered 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 ten cents (\$0.20) per share;

(iii)

the option to purchase 500,000 common shares at ten cents (\$0.35) per share; and

(iv)

the option to purchase 1,000,000 common shares at ten cents (\$0.50) per share.

A summary of the status of the Company's option grants as of March 31, 2015 and the changes during the period then ended is presented below:

	Shares	Weighted-Average Exercise Price
Outstanding December 31, 2014	1,700,000	\$ 0.41
Granted		
Exercised		
Expired		
Outstanding March 31, 2015	1,700,000	\$ 0.41
Options exercisable at March 31, 2015	1,700,000	\$ 0.41

F-7

These options expire on the date of termination of the management agreement and services thereunder with Robert Kane. The weighted average fair value at date of grant for options during three months ended March 31, 2015 was estimated using the Black-Scholes option valuation model with the following:

Average expected life in years	2
Average risk-free interest rate	2.00%
Average volatility	75%
Dividend yield	0%

7. DEPOSITS

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 R&D, 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 is acquiring 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. Per the amendment, the Company also agreed to provide Apothecary with a minimum of \$150,000 and maximum of \$300,000 of working capital each calendar quarter commencing December 31, 2014. The Company recorded an equivalent deposit for the year ended December 31, 2014 until the acquisition of assets closes, which is anticipated during fiscal 2015 once all assets are identified with supported fair market values and the transfer of land title is completed. No additional working capital has been paid beyond December 31, 2014.

8. 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 controlling shareholder of Endocan Corporation since June 2013. Therefore, the Company was deemed to have significant influence and control of Endocan Corporation.

On November 5, 2014, the Company recorded \$247,500 in marketable securities and \$86,469 in loans to OHS to its equity method investee account in accordance with ASC 323.

An impairment of \$48,750 in the equity method investee account was recognized for the three months ended March 31, 2015 and an impairment of \$90,000 was recognized for the year ended December 31, 2014 due to the non-temporary decline in the value of OHS marketable securities.

9. 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 and director and officer of EU subsidiaries. Negotiations are ongoing in regards to preparing finalized agreements between the Company and Mr. Lap's companies.

F-8

10. SUBSEQUENT EVENTS

On April 20, 2015, the Company entered into an agreement with American Education Lawyers Group LLC and agreed to issued 5,000,000 shares of Rule 144 restricted common stock as a one-time retainer to cover legal services

in regards to Cannabis Science endeavors in California.

On April 29, 2015, the Company issued 40,000,000 shares of common stock pursuant to a debt settlement agreement with Intrinsic Capital Corp. to settle \$40,000 in debt owing under December 31, 2013 note payable. The Company recognized a loss on settlement of debt of \$1,360,000 under the agreement.

On May 4, 2015, the Company issued a total of 52,948,000 common shares to executives and various consultants pursuant to existing contracts.

On May 21, 2015, Cannabis Science, Inc. (the Company), entered into a Joint Development Agreement (the Agreement) with IGXBio, Inc., a Delaware corporation (IGX). Pursuant to the Agreement the Company and IGX will jointly develop and conduct a clinical protocol for an anti-inflammatory utilizing cannabinoids and GenePro®, a DNA based immunotherapy with a FDA IND number. Each company will retain ownership of their respective intellectual property and equally own any new products or drugs derived from the Agreement. The term of the Agreement is initially for 4 years with an automatic renewal provision. On June 3, 2015, the Company issued 5 million Rule 144 restricted common shares to IGX pursuant to the Agreement and will have 50/50 in any new products developed under the Agreement.

Common shares reconciliation table:

Issued and outstanding as of March 31, 2015	1,179,207,296
<u>Pending and subsequent event issuances</u>	<u>102,948,000</u>
<u>Unissued and outstanding as of July 27, 2015</u>	<u>1,282,155,296</u>

F-9

PART I

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

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

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

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

Overview of the Company's Business

Cannabis Science, Inc. (formerly Gulf Onshore, Inc.) (We or the Company), was incorporated under the laws of the State of Colorado, on February 29, 1996, as Patriot Holdings, Inc. On August 26, 1999, the Company changed its name to National Healthcare Technology, Inc. On June 6, 2007, the Company changed its name from National Healthcare Technology, Inc., to Brighton Oil & Gas, Inc., and converted to a Nevada corporation. On March 25, 2008 the Company changed its name to Gulf Onshore, Inc. On April 7, 2009, the Company changed its name to Cannabis Science, Inc.

Cannabis Science, Inc. is at the forefront of medical cannabis research and development. The Company works with world authorities on phytocannabinoid science targeting critical illnesses, and adheres to scientific methodologies to develop, produce, and commercialize phytocannabinoid-based pharmaceutical products. In 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.

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

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

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

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

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

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

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

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

CS-TAT11 is in preclinical development with the indication for infectious disease. Consistent with data published in March by researchers at the Mount Sinai School of Medicine found that cannabinoids inhibit TAT induced migration to TAT via cannabinoid 2 receptors (CB2) which has potential applications in HIV and other infectious diseases.

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

pharmaceutical grade product development.

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

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

Some key phytocannabinoids are:

.

tetrahydrocannabinol (THC)

.

cannabidiol (CBD)

.

cannabigerol (CBG)

.

cannabichromene (CBC)

.

cannabinol (CBN)

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

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

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

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

The Company continues work on developing its CBN patent and pharmaceutical development with ImmunoClin Limited under its Laboratory Service Agreement.

The Company has announced an 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 new drug candidates.

Cannabis Science is one of the longest standing companies in the cannabis business. We feel that the correct way is to look at the industry from a bio-pharmaceutical standpoint, in a manner that allows cannabinoid-based products to modulate the endocannabinoid system to treat multiple conditions.

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

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

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

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

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

There are minimal operating activities in the subsidiaries as of March 31, 2015. Mario Lap, a director of the Company and director and officer its European subsidiaries, is conducting various business activities of the Company in Spain under his personal name and/or his personal holding companies MLS Lap B.V. and MJR B.V. until such time as the Company is able to establish a Spanish subsidiary to conduct its own business operations and activities, including but not limited to: operating lease for farms, asset purchases, office and equipment, personnel employment and other business and operating activities as may be required from time-to-time.

Edgar Filing: CANNABIS SCIENCE, INC. - Form 10-Q

On August 6, 2014, the Company signed a proposal letter with Michigan Green Technologies, LLC (MGT) to acquire an additional 30.1% equity in MGT that would increase the Company's equity ownership to 50.1%. As consideration for acquiring the additional 30.1% equity, the Company 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 February 20, 2015, the Company closed on the acquisition and now owns a controlling 50.1% of MGT.

On May 27, 2015, Cannabis Science, Inc. (the Company), entered into a Joint Development Agreement (the Agreement) with IGXBio, Inc., a Delaware corporation (IGX). Pursuant to the Agreement the Company and IGX will jointly develop and conduct a clinical protocol for an anti-inflammatory utilizing cannabinoids and GenePro®, a DNA based immunotherapy with a FDA IND number. Each company will retain ownership of their respective intellectual property and equally own any new products or drugs derived from the Agreement. The term of the Agreement is initially for 4 years with an automatic renewal provision. The Company will share 50/50 with IGX in any new products developed under the Agreement.

The Company continues work on its pharmaceutical feasibility study and potential product development under the ImmunoClin Limited Laboratory Service Agreement. Should any success product feasibility be established then the Company will move forward with the Unistraw joint venture to further develop and market any resulting products.

The Company is working on several business acquisition and development projects to increase business and revenue generation in 2015 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 2015.

Liquidity

The Company has a working capital deficit of \$3,618,896 as of March 31, 2015 compared to a working capital deficit of \$3,788,922 for the year ended December 31, 2014. There are insufficient liquid assets to meet current liabilities or sustain operations through 2015 and beyond and the Company must raise additional capital to cover the working capital deficit. Management is working on plans to raise additional capital through private placements and lending facilities. The Company currently is relying on existing cash and loans from stockholders to meet its obligations and sustain operations.

The Company has promissory note payment commitments of \$1,400,658 due to stockholders and currently in default. The Company is negotiating with the debtors to extend the notes payable.

Contractual Obligations

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

Capital Resources

On January 15, 2015, the Company sold 10,000,000 units at \$0.25 per unit. Each unit is comprised of one share of common stock and one non-transferable warrant with each one warrant to purchase one share of the Company's common stock at an exercise price of \$0.50. The warrants shall expire 2 years from the date of issuance of the warrant certificate (collectively Offered Units). Gross proceeds of \$1,000,000 were received by the Company under the offering on January 27, 2015.

The Company has additional capital resource requirements for personnel, supplies, laboratory and scientific equipment of approximately \$1,250,000 over the next 12 months. These capital disbursements are dependent on management's successful raising of capital through private placements and/or lending facilities.

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

Results of Operations

For the three months ended March 31, 2015 (2015) as compared to the prior year three months ended March 31, 2014 (2014):

The Company had revenues of \$0 for 2015 compared to \$1,031 for 2014. This decrease in revenue is due to a decrease in license revenue from Apothecary Genetics Investments LLC (AGI) from 2015 to 2014. The Company is currently working on finalizing the acquisition of properties, assets, and operations from AGI to increase revenues

under the license agreement.

Net loss on settlement of debt increased by \$241,576 to \$2,358,076 for the three months ended March 31, 2015 compared to \$2,116,500 for the three months ended March 31, 2014. This increase is due to the higher share price of the Company's stock and relative loss related to settling debt at a lower share price.

General and administrative expenses decreased by \$1,406,999 to \$1,651,092 for the three months ended March 31, 2015 compared to \$3,058,091 for the three months ended March 31, 2014. This decrease is due to decreased stock compensation expense pursuant to management consulting and bonus agreements.

The Company is working on several business development projects to generate revenues, including: signing a new license agreement with Apothecary Genetics Investments LLC that will generate increased license and royalty revenue, a hemp product line, and other strategic acquisitions to support product development, production, and distribution of newly acquire or manufactured cannabis and hemp based products. The Company's drug development with the pending joint venture with Unistraw is also ongoing through its laboratory services agreement with ImmunoClin Limited in London, UK. In addition, the Company signed an agreement with Equi-Pharma for the commercialization of pet products for distribution in California. Notwithstanding, there can be no assurance that these will be successful in generating revenues in 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company received a letter from Charles Murphy and Robert Sfire regarding their filing a case against John Dalaly, Michigan Green Technologies, and the Company. While proper service to the Company is in question, the filing is for default on payment to be received for fees due to the settlement of a case Mr. Murphy and Mr. Sfire previously brought against John Dalaly. Michigan Green Technologies and the Company are co-signers on the settlement note. The Company expects that the issue will be resolved within the next 90 days with the full payment of the settlement fees.

ITEM 1A. RISK FACTORS

Not applicable.

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

During the three months ended March 31, 2015, we have issued securities using exemptions available under the Securities Act of 1933:

As set out below, we have issued securities in exchange for private placements, services and for debt:

On January 1, 2015, the Company effectively issued 5,000,000 Rule 144 restricted shares of common stock with a fair market value of \$349,500 to two consultant for services under 2014 agreements.

On January 1, 2015, the Company issued 6,000,000 Rule 144 restricted shares of common stock to Intrinsic Venture Corp. for settlement of \$300,000 of accounts payable, for a loss on settlement of \$119,400.

On January 1, 2015, the Company issued 5,000,000 Rule 144 restricted shares of common stock with a fair market value of \$349,500 to Chad S. Johnson, COO/General Legal Counsel for services under a November 25, 2014 management agreement.

Edgar Filing: CANNABIS SCIENCE, INC. - Form 10-Q

On January 1, 2015, the Company entered into an agreement and issued 545,000 shares of S8 registered free-trading common stock with a fair market value of \$29,485 to a consultant for services.

On January 15, 2015, the Company entered into an agreement and issued 15,000,000 shares of Rule 144 restricted common stock with a fair market value of \$997,500 to Richard Cowan, former CFO for services.

On January 15, 2015, the Company issued 10,000,000 shares of common stock to an accredited investor at \$0.25 under a private placement. Gross proceeds of \$250,000 were received by the Company.

On January 15, 2015, the Company issued 15,000,000 shares of Rule 144 restricted common stock with a fair market value of \$997,500 for settlement of \$150,000 in liabilities for loss on settlement of \$847,500.

On January 18, 2015, Mario Lap, the Company's director and director and officer of EU subsidiaries, loaned \$4,031 to Cannabis Science BV a wholly-owned subsidiary of the Company.

On January 20, 2015, the Company entered into an agreement and issued 5,000,000 shares of Rule 144 restricted common stock with a fair market and 8,240,310 shares of S8 registered free-trading common stock with a fair market value of to Robert Kane, CFO for services.

On January 29, 2015, the Company paid \$120,000 in cash to Old West Entertainment Corp. as instructed by Raymond Dabney, CEO, as payment of management fees owing to Mr. Dabney.

8

On January 31, 2015, the Company issued 2,726,000 shares of S8 registered common stock with a fair market value of \$158,926 to Dr. Dorothy Bray, former CEO, for services under November 5, 2014 agreement.

On January 31, 2015, the Company issued 2,726,000 shares of S8 registered common stock with a fair market value of \$158,926 to Raymond Dabney, CEO, for services under November 5, 2014 agreement.

On January 31, 2015, the Company issued 4,318,000 shares S8 registered free-trading common stock with a fair market value of \$30,000 to Chad S. Johnson, COO/General for services under November 25, 2014 agreement.

On February 20, 2015, the Company issued 30,828,080 common shares for settlement of \$30,828 of stockholder debt with Intrinsic Capital Corp., for a loss on settlement of \$1,510,576, from the stockholder notes payable originating on July 23, 2013 (\$18,328), August 15, 2013 (\$1,250), August 30, 2013 (\$1,250), and September 9, 2013 (\$10,000).

On February 20, the Company entered into an agreement and issued 300,000 shares of Rule 144 restricted common stock with a fair market value of \$15,000 to each of four consultants to services in conjunction with the MGT acquisition.

On March 3, 2015, the Company entered into an agreement and issued 5,000,000 shares of S8 registered free-trading common stock and 7,500,000 shares of Rule 144 restricted common stock with a fair market value of \$625,000 to John Dalaly, President of MGT for services in conjunction with the MGT acquisition.

On March 16, 2015, the Company entered into an agreement and issued 2,500,000 shares of Rule 144 restricted common stock and 2,500,000 shares of S8 registered common stock with a fair market value of \$255,000 to each of two consultants.

Edgar Filing: CANNABIS SCIENCE, INC. - Form 10-Q

On March 16, 2015, the Company entered into an agreement and issued 5,000,000 shares of Rule 144 restricted common stock and 2,500,000 shares of S8 registered common stock with a fair market value of \$382,500 to a consultant for services.

On March 16, 2015, the Company entered into an agreement and effectively issued 1,000,000 shares of S8 registered free-trading common stock with a fair market value of \$51,000 to a consultant for services.

On March 26, 2015, the Company entered into an agreement and effectively issued 5,000,000 shares of S8 registered free-trading common stock with a fair market value of \$222,500 to a consultant for services.

On March 26, 2015, the Company entered into an agreement and effectively issued 3,000,000 shares of S8 registered free-trading common stock with a fair market value of \$133,500 to a consultant for services.

On March 26, 2015, the Company entered into an agreement and effectively issued 2,500,000 shares of Rule 144 restricted common stock with a fair market value of \$111,250 in addition to 2,500,000 stock options exercisable at \$0.04 per share to a consultant for investor relations services.

On March 27, 2015, the Company's CFO, Robert Kane, loaned Michigan Green Technologies LLC \$52,500 secured by a non-interest bearing promissory note due within 30 days of MGT liquidating shares in Cannabis Science, Inc. to repay the debt. As of February 20, 2015, the Company closed on its acquisition and now owns a majority 50.1% interest in MGT.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

See Financial Statement Notes 5, 7, and 10 in regards to stock compensation for officers and directors.

ITEM 6. EXHIBITS

Exhibit No.	Document Description	Filed Herewith (X) Incorporated by ref (I)
99.2	Debt Settlement Agreement	(1)
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 of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
EX-101.INS	XBRL Instance Document	X
EX-101.SCH	XBRL Taxonomy Extension Schema	X
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase	X
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase	X

(1)

Filed on Form 10-K with the SEC on file no. 000-28911 April 21, 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CANNABIS SCIENCE INC.

(REGISTRANT)

Date: July 27, 2015

/s/ *Raymond C. Dabney*

Raymond C. Dabney
Chief Executive Officer and Director

Date: July 27, 2015

/s/ *Robert Kane*

Robert Kane
Chief Financial