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

FORM 10-Q

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

For the quarterly period ended March 31, 2018

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: **000-54582**

UNITED CANNABIS CORPORATION

(Exact name of Registrant as specified in its charter)

Colorado	**46-5221947**
(State or other jurisdiction of incorporation or formation)	(I.R.S. employer identification number)

301 Commercial Road, Unit D, Golden, CO 80401
(Address of principal executive offices) (Zip code)

(303) 386-7104
(Registrant’s telephone number, including area code)

N/A
(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. Yes ☑ No ☐

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☑
(Do not check if a smaller reporting company)	Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has not elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

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

As of May 14, 2018, the registrant had 64,229,926 shares of common stock outstanding.

UNITED CANNABIS CORPORATION

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED CANNABIS CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 164,961	$ 825,645
Accounts receivable, net	34,513	—
Inventory	137,141	43,200
Due from related parties	14,961	—
Other current assets	18,216	23,028
Total current assets	369,792	891,873
Construction in progress	110,699	832,697
Cultivation facility, laboratory equipment and office furniture and fixtures, and leasehold improvements net of accumulated amortization and depreciation of $91,524 and $39,385 at March 31, 2018 and December 31, 2017, respectively	1,333,065	199,821
Granted patents, net of accumulated amortization of $4,458 and $2,679 for March 31, 2018, and December 31, 2017, respectively	137,859	139,638
Intangible assets	220,962	170,519
Goodwill	4,838,603	4,838,603
Total assets	$ 7,010,980	$ 7,073,151
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 177,021	$ 371,711
Accrued expenses	9,209	10,184
Installment loan payable	32,757	46,667
Current portion of deferred revenue	158,750	180,000
Accrued wages payable to officers, directors and employees	201,664	310,401
Notes payable to and advances from officers and directors	341,544	261,348
Total current liabilities	920,945	1,180,311
Long term liabilities:		
Deferred revenue, net of current portion	—	23,750
Total liabilities	920,945	1,204,061
COMMITMENTS AND CONTINGENCIES – Note 19		
STOCKHOLDERS' EQUITY		
Preferred stock, 10,000,000 shares authorized; 2,000 Series A shares outstanding at March 31, 2018 and December 31, 2017, respectively	2,200	2,200
Common stock, 100,000,000 shares authorized; 64,229,926 and 62,862,066 outstanding as of March 31, 2018 and December 31, 2017, respectively	28,669,844	21,186,888
Accumulated deficit	(22,476,406)	(15,269,845)
Total equity (deficit) attributable to stockholders of the Company	6,195,638	5,919,243
Non-controlling interest (deficit)	(105,603)	(50,153)
Total stockholders' equity	6,090,035	5,869,090
Total liabilities and stockholders' equity	7,010,980	7,073,151

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

UNITED CANNABIS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenues:		
Product sales	$ 164,212	$ 144,677
Licensing fees	45,000	45,000
Licensing fees - affiliate	57,064	—
Total revenues	266,276	189,677
Cost of revenues:		
Cost of revenues	(118,942)	(121,051)
Gross profit	147,334	68,626
Operating expenses:		
Marketing, advertising and new business development	17,311	53,392
Research and development	236,678	45,160
Legal, accounting, consulting and public reporting	263,246	240,814
General and administrative	6,327,550	248,860
Total operating expenses	6,844,785	588,226
Loss from operations	(6,697,451)	(519,600)
Other income (expense):		
Interest expense	(8,498)	(28,809)
Loss on extinguishment of debt and repurchase of warrants	—	(267,567)
Loss on settlement of dispute	—	—
Loss on issuance of common stock	(556,061)	—
Loss before taxes on income	(7,262,010)	(815,976)
Provision for taxes on income	—	—
Net Loss	(7,262,010)	(815,976)
Loss attributable to non-controlling interests	55,450	—
Net Loss attributable to common shareholders	$ (7,206,560)	$ (815,976)
Basic and diluted net loss per share:	$ (0.11)	$ (0.02)
Basic and diluted weighted-average common shares outstanding:	63,829,443	50,971,862

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

UNITED CANNABIS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating activities:		
Net loss	$ (7,262,010)	$ (815,976)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of debt discount	—	16,406
Non-cash interest expense	—	9,694
Depreciation and amortization	53,946	3,239
Share-based compensation	5,488,982	211,967
Loss on issuance of common stock	556,061	—
Loss on extinguishment of debt and repurchase of warrants	—	267,559
Increase in net assets in connection with acquisition of fifty percent owned subsidiary	—	(22,666)
Changes in operating assets and liabilities:		
Accounts receivable	(34,513)	(33,150)
Due from related parties	(14,961)	—
Inventory	(93,941)	—
Prepaid expenses	—	5,000
Other current assets	4,811	—
Accounts payable and accrued expenses	(195,663)	101,564
Deferred revenue	(45,000)	(45,000)
Accrued wages payable to officers, directors and employees	(108,738)	191,563
Net cash used in operating activities	**(1,651,026)**	**(109,800)**
Investing activities:		
Purchase of equipment for and improvements to cultivation facility	(463,414)	(130,541)
Purchase of intangible assets	(50,443)	—
Cash in acquisition of fifty percent owned subsidiary	—	(15,079)
Net cash used in investing activities	(513,857)	(145,620)
Financing activities:		
Proceeds from issuance of common stock – equity financing line	1,380,831	—
Proceeds from advances from officers and directors	80,195	178,383
Proceeds from sale of common stock	57,083	—
Payments on installment loan	(13,910)	—
Net cash provided by financing activities	1,504,199	178,383
Net decrease in cash	(660,684)	(77,037)
Cash, beginning of period	825,645	112,621
Cash, end of period	**$ 164,961**	**$ 35,584**
Supplemental schedule of cash flow information:		
Cash paid for interest	$ —	$ —
Cash paid for income taxes	$ —	$ —
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of convertible note payable to noteholder	$ —	$ 125,000
Conversion of advances from officers and directors to notes payable to officers and directors	$ —	$ 246 681

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

UNITED CANNABIS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 –BUSINESS ORGANIZATION AND NATURE OF OPERATIONS

United Cannabis Corporation ("we", "our", "us", "UCANN", or "the Company") a Colorado corporation, was originally formed as a California corporation under the name MySkin, Inc. on November 15, 2007. MySkin was engaged in the business of providing management services to a medical spa in Los Angeles, California which provided various advanced skin care services until March 31, 2014, when this business was sold to the prior President of the Company.

In early 2014 we decided to exit the medical spa management business and change our focus to providing products, services and intellectual property to the cannabis industry.

On March 26, 2014, we entered into a License Agreement with Earnest Blackmon, Tony Verzura and Chad Ruby pursuant to which Messrs. Blackmon, Verzura and Ruby licensed certain intellectual property to us in exchange for a total of 38,690,000 shares of our common stock.

In connection with this transaction:

- Messrs. Blackmon, Verzura and Ruby licensed to us all of their knowledge and know-how relating to the design and buildout of cultivation facilities, growing/cultivation systems, seed-to-sale protocols and procedures, products, a genetic catalogue including over 150 different strains, an advanced (non-psychoactive) cannabinoid therapy program called "A.C.T. Now", security, regulatory compliance, and other methods and processes which relate to the cannabis industry.

- The territory for this license is the entire world and the license runs in perpetuity. There are no royalty payments under the License Agreement.

- Messrs. Blackmon, Verzura and Ruby were appointed to our board of directors effective April 7, 2014.

- Mr. Blackmon was elected as our President, Mr. Ruby was elected as Chief Operating Officer and Mr. Verzura was elected as Vice President.

- A total of 41,690,000 previously outstanding shares of common stock were cancelled resulting in a total of 43,620,000 shares of common stock outstanding on March 26, 2014.

UCANN was formed as a Colorado corporation on March 25, 2014, and on May 2, 2014, MySkin, Inc. merged into UCANN, a wholly-owned subsidiary of MySkin, Inc., for the purpose of changing domicile from California to Colorado and changing the corporation's name to United Cannabis Corporation.

On March 31, 2014, we sold all right, title and interest in the tangible and intangible assets, trademarks, customer lists, intellectual property and rights, which we owned and were related to our advanced skin care business since we entered into a new business and no longer had any use for these assets. The assets were sold to MySkin Services, Inc. ("MTA"), a business partly owned by Marichelle Stoppenhagen, our former officer and director, in exchange for the $15,000 payable which we owed to Ms. Stoppenhagen and/or MTA. In addition, MTA assumed all costs associated with these assets starting on March 31, 2014.

On July 14, 2017, we completed the acquisition of Prana Therapeutics, Inc. ("Prana") in a one-for-one exchange of 5,730,000 shares of common stock of the Company for 5,730,000 of common stock of Prana. The purchase price had a fair market value of $5,070,500, based upon the closing price of $0.85 per share on the OTC QB exchange on July 14, 2017, including the cost to purchase 400,000 shares of Prana common stock for $200,000. Prana is a polymolecular botanical drug development company focused on developing targeted therapeutics for prevention of the negative side effects of chemotherapy, management of rheumatoid arthritis and treatment of brain cancer. Management elected to purchase Prana, because of the successful indication of the effectiveness of their Epidiferphane™ chemical formulation in the treatment of (i) the negative side effects of chemotherapy, (ii) inflammation and pain associated with arthritis and back-centric pain, (iii) sleep disorder, and (iv) the potential shrinkage of brain tumors.

Government Regulation - Marijuana is a Schedule-I controlled substance and is illegal under federal law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal laws.

As of March 31, 2018, 29 states and the District of Columbia allow their citizens to use medical marijuana, and voters in the states of California, Colorado, Washington, Nevada, Oregon, Alaska, Maine, Massachusetts, Vermont and the District of Columbia have approved ballot measures to legalize cannabis for adult recreational use. The state laws are in conflict with the federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. The former Obama administration had effectively stated that it was not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical and recreational marijuana under what colloquially became known as the "Cole memo". However, on January 4, 2018, Attorney General Jeffery Sessions rescinded the "Cole memo," and issued a new memo in its place that reaffirms the Department of Justice's stance of potentially prosecuting violators of federal marijuana laws. On April 13, 2018, President Trump pledged to support federalism-based legislation regarding marijuana and promised not to pursue federal prosecution despite the Attorney General's actions. It appears that the current administration will not elect to vigorously enforce federal laws, but such future enforcement may cause significant financial damage to us.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – Our consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries UCANN California Corporation, UC Colorado Corporation and UC Oregon Corporation, the ninety-five percent (95%) owned subsidiary Prana Therapeutics, Inc. ("Prana"), and the fifty percent (50%) owned subsidiary Cannabinoid Research & Development Company Limited ("CRD"). All intercompany accounts and transactions have been eliminated. Our consolidated financial statements are stated in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). At March 31, 2017, we concluded that we had established a variable interest entity relationship with CRD, because we are the primary beneficiary, in accordance with GAAP. As a result, we elected to consolidate the assets and liabilities of CRD in our consolidated balance sheet at March 31, 2017. Prana was purchased on July 14, 2017, and their assets and liabilities are included in the consolidated balance sheets at December 31, 2017, and their results of operations are included in the consolidated financial statements for the period of June 30, 2017, which is the nearest quarter end to the purchase date, through December 31, 2017.

Use of Estimates - The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated financial statements and the reported amounts of revenues and expenses during the periods presented.

We make our estimate of the ultimate outcome for these items based on historical trends and other information available when our consolidated financial statements are prepared. We recognize changes in estimates in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available. We believe that our significant estimates, assumptions and judgments are reasonable, based upon information available at the time they were made. Our actual results could differ from these estimates, making it possible that a change in these estimates could occur in the near term.

Fair Value of Financial Instruments - Our financial instruments consist principally of cash and cash equivalents, accounts receivable, non-marketable equity securities, accounts payable, notes payable and other current assets and liabilities. We value our financial assets and liabilities using fair value measurements. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The carrying amount of our cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities in our consolidated financial statements approximates fair value because of the short-term nature of the instruments. Investments in non-marketable equity securities are carried at cost less other-than-temporary impairments. The carrying amount of our notes payable and convertible debt at March 31, 2018, approximates their fair values based on our incremental borrowing rates.

There have been no changes in Level 1, Level 2, and Level 3 categorizations and no changes in valuation techniques for these assets or liabilities for the three-month period ended March 31, 2018 and the year ended December 31, 2017.

Cash and Cash Equivalents - We consider investments with original maturities of 90 days or less to be cash equivalents.

Accounts Receivable, Net – Our accounts receivable consists primarily of trade accounts arising in the normal course of business. No interest is charged on past due accounts. Accounts for which no payments have been received after 30 days are considered delinquent and customary collection efforts are initiated. Accounts receivable are carried at original invoice amount less a reserve made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. We determine our allowance for doubtful accounts by regularly evaluating individual customer receivables and considering the customer's financial condition and credit history, and current economic conditions. We recorded no bad debt expense during the three-month period ended March 31, 2018 and 2017, respectively, and we have no allowance for doubtful accounts as of March 31, 2018, and as of December 31, 2017,

***Prepaid Expenses* -** Prepaid expenses are primarily comprised of advance payments made to third parties for independent contractors' services or other general expenses. Prepaid services and general expenses are amortized over the applicable periods which approximate the life of the contract or service period.

***Inventory* –** Inventory is stated at the lower of cost or net realizable value. Cost is determined based upon the cost to acquire the raw materials, plus internal labor and other costs incurred to produce finished goods inventory. The cost of inventory is principally determined using the last-in first-out method. We periodically review the value of our inventory and provide a write-down of inventory based on our assessment of the market conditions. Write-downs are charged to cost of goods sold in the applicable reporting period; there have been no such write-downs during the three-month period ended March 31, 2018 and 2017.

Property and Equipment – Our property and equipment, which is classified for reporting purposes in our consolidated balance sheets as construction in process – extraction facilities and cultivation facility and laboratory equipment, is recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over estimated useful lives of three to five years, and amortization is computed using the straight-line method over the life of the applicable lease. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from our accounts and any resulting gain or loss is reflected in our consolidated statements of operations.

	March 31, 2018	December 31, 2017
Construction in process - extraction facilities		
Weldona, Colorado extraction facility:		
Equipment	$ —	$ 647,947
Jamaica cultivation and extraction facility:		
Leasehold improvements - laboratory	—	75,000
Leasehold improvements - cultivation	110,699	109,750
	$ 110,699	$ 832,697
Extraction facility and laboratory equipment, and office furniture and fixtures		
Equipment and machinery at Weldona extraction facility	$ 1,154,909	—
Golden, Colorado hemp laboratory - equipment	39,944	34,651
Golden, Colorado administrative offices:		
Furniture and fixtures	46,849	21,668
Leasehold improvements	2,000	2,000
Transportation equipment	81,667	81,667
Remote laboratory equipment	99,220	99,220
	1,424,589	239,206
Accumulated amortization and depreciation	(91,524)	(39,385)
	$ 1,333,065	$ 199,821

Granted Patents – Our patent was granted by the United States Patent and Trademark Office on August 15, 2017. The patent covers the extraction of pharmaceutically active components from cannabis plant materials, for incorporation into medicines. The cost of the patents is being amortized on the straight-line method over a 15-year period.

Intangible Assets – Our intangible assets, consisting of applications for trademarks, design mark and provisional patents, are recorded at cost, and once approved, will be amortized using the straight-line method over an estimated useful life of 10 to 15 years.

Long-Lived Assets Impairment Assessment – Our intangible assets and other long-lived assets are subject to an impairment test if there is an indicator of impairment. The carrying value and ultimate realization of these assets is dependent upon our estimates of future earnings and benefits that we expect to generate from their use. If our expectations of future results and cash flows are significantly diminished, intangible assets and other long-lived assets may be impaired and the resulting charge to operations may be material. When we determine that the carrying value of intangibles or other long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment, we use the projected undiscounted cash flow method to determine whether an impairment exists, and then measure the impairment using discounted cash flows.

We have not recorded any impairment charges related to long-lived assets as of March 31, 2018 or December 31, 2017.

Equity Method Investments – Our investments in entities representing ownership of at least 20% but not more than 50%, where we exercise significant influence, are accounted for under the equity method of accounting, and are included in our financial statements as a component of the consolidated financials. All intercompany accounts are eliminated upon consolidation, and we recognize the minority interests' share in the income and losses of the less than 100% percent owned subsidiary in the period incurred.

Goodwill – Our goodwill, which consists of our interest in a ninety-five percent owned subsidiary, Prana Therapeutics, Inc. ("Prana") and a fifty percent owned subsidiary, Cannabinoid Research & Development Company Limited ("CRD"), is not amortized, but is evaluated for impairment annually, or when indicators of a potential impairment are present. The annual evaluation for impairment of goodwill is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. We believe such assumptions are also comparable to those that would be used by other marketplace participants. Our total goodwill of $4,838,602 consists of $4,731,729 for Prana and $106,873 for CRD at March 31, 2018. See Note 7 – Purchase of Prana Therapeutics, Inc.

Purchase Price Allocation – The acquisition method of accounting is based on ASC Subtopic 805-10, "*Business Combinations*," and uses the fair value concepts defined in ASC Subtopic 820-10, "*Fair Value Measurements and Disclosures*". The price for the purchase of Prana Therapeutics, Inc., was allocated to the net tangible and intangible assets based upon their fair values as of the acquisition date, July 14, 2017. The allocation of the purchase price of $5,070,500 was based upon a valuation and the estimates and assumptions are subject to change within the measurement period. The excess of the purchase price over the fair values of the net tangible assets and intangible assets was recorded as goodwill in the amount of $4,731,729 and is generally driven by our expectations of our ability to commercialize the several drugs invented by Prana Therapeutics, Inc. See Note 7 – Purchase of Prana Therapeutics, Inc.

Deferred Revenue - We defer revenue for which product or service has not yet been delivered or is subject to refund until such time that we and our customer jointly determine that the product or service has been delivered or no refund will be required.

Revenue Recognition - We recognize revenue in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, which requires that five basic steps be followed to recognize revenue: (1) a legally enforceable contract that meets criterial standards as to composition and substance is identified; (2) performance obligations relating to provision of goods or services to the customer are identified; (3) the transaction price, with consideration given to any variable, noncash, or other relevant consideration, is determined; (4) the transaction price is allocated to the performance obligations; and (5) revenue is recognized when control of goods or services is transferred to the customer with consideration given to whether that control happens ***over time*** or not. Determination of criteria (3) and (4) are based on our management's judgments regarding the fixed nature of the selling prices of the products and services delivered and the collectability of those amounts. There was no material impact to our revenue recognition process because of the implementation of FASB ASC 606 as of March 31, 2018.

Revenue for services with a payment in the form of stock, warrants or other financial assets is recognized when the services are performed. The value of revenue paid for with warrants is measured using the Black-Scholes-Merton pricing model. Revenue from product sales, including delivery fees, is recognized when an order has been obtained, the price is fixed and determinable, the product is shipped, title has transferred, and collectability is reasonably assured.

Reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included as a component of revenues. Typically, an equivalent amount of reimbursable expenses is included in cost of revenues. Reimbursable expenses related to time and materials and fixed-fee engagements are recognized as revenue in the period in which the expense is incurred and collectability is reasonably assured. Taxes collected from customers and remitted to governmental authorities are presented in our consolidated statement of operations on a net basis.

Revenue Recognition – Affiliate – We have licensed our *Prana* products to Advesa, Inc. ("Advesa"), which is controlled by one of our major shareholders. Advesa has an exclusive right for five (5) consecutive one (1) year periods to sell our Prana products in certain cities in the state of California. In consideration for the exclusive license granted to Advesa under the agreement, Advesa is obligated to pay us a royalty on all *Prana* products sold by Advesa equal to the sale price of the *Prana* products, minus the cost of goods sold (computed without regard to depreciation, amortization, other non-cash items or allocation of overhead, general and administrative expenses or similar items) (the "*Prana* Royalty"). In addition, Advesa pays us a management fee of five percent (5%) of all Advesa gross revenue minus the *Prana* Royalty. We recognize revenue on all *Prana* sales consistent with the criteria described above for all sales in accordance with ASC 606, *Revenue from Contracts with Customers.*

Cost of Revenues – Our policy is to recognize cost of revenues in the same manner as, and in conjunction with, revenue recognition. Our cost of revenues includes the costs directly attributable to revenue recognized and includes expenses related to the production, packaging and labeling of our Prana medicinal products and personnel-related costs, fees for third-party services, travel and other consulting costs related to our advisory services.

Research and Development Expenses - Research and development ("R&D") costs are charged to expense as incurred. Our R&D expenses include, but are not limited to, consulting service fees and materials and supplies used in the development of our proprietary products and services.

General and Administrative Expenses - General and administrative expenses consist primarily of personnel-related costs, fees for professional and consulting services, travel costs, rent, bad debt expense, general corporate costs, and other costs of administration such as human resources, finance and administrative roles.

Stock-Based Compensation – We periodically issue shares of our common stock to non-employees in non-capital raising transactions for fees and services. We account for stock issued to non-employees in accordance with ASC 505, *Equity*, whereas the value of the stock compensation is based upon the measurement date as determined at either (a) the date at which a performance commitment is reached, or (b) at the date at which the necessary performance to earn the equity instruments is complete.

We account for stock option grants issued and vesting to employees based on ASC 718, *Compensation – Stock Compensation*, whereas the award is measured at its fair value at the date of grant and is amortized ratably over the vesting period. Accounting for stock-based compensation to employees requires the measurement and recognition of compensation expense for all share-based payment awards made to employees based on estimated fair values. We estimate the fair value of all stock option awards on the date of grant using the Black-Scholes-Merton pricing model, which is affected by our stock price, as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee option exercise behaviors, risk free interest rates and expected dividends. We also estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from our estimates.

Income Taxes - Income taxes are recorded using the asset and liability method. Under the asset and liability method, tax assets and liabilities are recognized for the tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment occurs. To the extent that we do not consider it more likely than not that a future tax asset will be recovered, we will provide a valuation allowance against the excess.

We follow the provisions of ASC 740, *Income Taxes*. Because of the ASC 740, we make a comprehensive review of our portfolio of tax positions in accordance with recognition standards established by ASC 740. As a result of the implementation of ASC 740, we recognized no material adjustments to liabilities or stockholders' deficit.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in our consolidated financial statements in the period during which, based on all available evidence, we believe it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, are classified as interest expense and penalties and are included in selling, general and administrative expenses in our consolidated statements of operations.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was enacted. U.S. tax reform introduced many changes, including lowering the U.S. corporate tax rate to 21 percent, changes in incentives, provisions to prevent U.S. base erosion and significant changes in the taxation of international income, including provisions which allow for the repatriation of foreign earnings without U.S. tax. The enactment of U.S. tax reform had no impact on our income taxes for the year ended year-ended December 31, 2017.

Commitments and Contingencies - Certain conditions may exist as of the date our consolidated financial statements are issued, which may result in a loss but which will only be resolved when one or more future events occur or fail to occur. We assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, we evaluate the perceived merits of the legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Net Loss Per Share - We compute net loss per share in accordance with ASC 260, *Earnings per Share*. Under the provisions of ASC 260, basic net loss per share includes no dilution and is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share takes into consideration shares of common stock outstanding (computed under basic net loss per share) and potentially dilutive securities that are not anti-dilutive.

Potentially dilutive securities outlined in the table below have been excluded from the computation of diluted net loss per share, because the effect of their inclusion would have been anti-dilutive.

	Three Months Ended March 31,	
	2018	2017
Warrants to purchase common stock	1,234,027	1,541,112
Stock options, exercisable	11,705,000	3,680,000
Total potentially dilutive securities	12,939,027	5,221,112

Other Comprehensive Income (Loss) – We report as other comprehensive income (loss) those revenues, gains and losses not included in the determination of net income. During the three months ended March 31, 2018 and the year ended December 31, 2017, we did not have any gains and losses resulting from activities or transactions that resulted in other comprehensive income or loss.

Segment Reporting – Our Company operates as one segment.

Concentration of Credit Risk - Financial instruments that potentially subject us to credit risk consist of cash. We maintain our cash with high credit quality financial institutions; at times, such balances with any one financial institution may not be insured by the FDIC.

The following tables show significant concentrations in our revenues and accounts receivable for the periods indicated:

Percentage of Revenue:

	Three Months Ended March 31,	
	2018	2017
Customer A	62%	98%
Customer B	21%	2%
Customer C	17%	—%

Percentage of Accounts Receivable:

	As of March 31,	
	2018	2017
Customer C	100%	93%
Customer D	—%	7%
Customer E	—%	—%

Recently Issued Accounting Pronouncements – From time to time, the FASB or other standards setting bodies issue new accounting pronouncements. Updates to the FASB ASCs are communicated through issuance of an Accounting Standards Update ("ASU"). Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our condensed consolidated financial statements upon adoption.

In February 2016, the FASB issued guidance on leases which requires entities to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new guidance also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The new guidance will be effective for us at the beginning of fiscal year 2019. Early adoption is permitted. We are in the process of evaluating the impact the adoption of this guidance will have on our consolidated financial statements and related disclosures.

***Reclassification* -** Certain reclassifications have been made to the prior period amounts to conform to the current period's presentation.

NOTE 3 – GOING CONCERN

Our consolidated financial statements have been prepared on a going concern basis which assumes we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future. During the three-months ended March 31, 2018, we incurred losses of $7,206,500 and used cash of $1,651,026 in our operating activities. As at March 31, 2018, we had a working capital deficit of $511,153 and an accumulated deficit of $22,476,406. Our ability to continue as a going concern is dependent upon our ability to generate profitable operations in the future and, or, obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. There is no assurance that these events will be satisfactorily completed.

NOTE 4 – RECEIVABLE FROM RELATED PARTY

In the normal course of business, we make non-interest-bearing advances to Advesa, Inc. (“Advesa’), which is controlled by one of our officers and directors. Such advances are used by Advesa to purchase equipment and to cover the cost of their operations. Additionally, during the year ended December 31, 2017, we purchased certain laboratory equipment from Advesa at an amount equal to their cost of the equipment. Related party amounts due from Advesa were $14,861 and $0.0 at March 31, 2018 and December 31, 2017.

NOTE 5 – OPERATING LEASES

Administrative Offices and Hemp Laboratory – Golden, Colorado

Effective August 1, 2017, we entered into a triple net lease of approximately 9,882 square feet of commercial space in Golden, Colorado in which our administrative offices and hemp laboratory are located. The term of the lease expires on July 31, 2020 and has no option for renewal. Basic rent is $3,302, $3,500 and $3,800 per month through, July 31, 2018, 2019 and 2020, respectively, plus we are responsible for all utilities. It is our intent presently, to renew the lease annual throughout the term of the lease.

Extraction and Cultivation Facility – Weldona, Colorado

Effective October 1, 2017, we entered into a triple net lease of approximately 40,000 square feet of industrial space located on five (5) acres of land in Weldona, Colorado that we us as our hemp extraction facility and hemp cultivation center. The term of the lease expires on September 31, 2018, with an annual option to renew the lease on an annual basis, that expires on September 30, 2022. The rent is $7,500 per month throughout the term of the lease, plus we are responsible for all utilities.

Extraction and Cultivation Facility - Jamaica

Our fifty percent (50%) owned subsidiary Cannabinoid Research & Development Company Limited ("CRD") leases approximately 28 acres of land upon which their cultivation and extraction facility is located near Kingston, Jamaica. The land is leased for $1 per year from the father of one of the directors and members of CRD.

Future minimum payments for these leases are:

For the twelve Months Ending March 31,				
2019	**2020**	**2021**	**2021**	**2022**
$131,208	$134,398	$105,198	$90,001	$45,001

NOTE 6 - INVENTORY

Inventory is stated at the lower of cost or net realizable value. Cost is determined based upon the cost to acquire the raw materials, plus internal labor and other costs incurred to produce finished goods inventory. The cost of inventory is principally determined using the last-in first-out method. We periodically review the value of our inventory and provide a write-down of inventory based on our assessment of the market conditions. Any write-down is charged to cost of goods sold. At ended March 31, 2018 and December 31, 2017, our inventory is, as follows:

	March 31, 2018	December 31, 2017
Raw materials	$ 38,376	$ 15,000
Work-in-process	57,565	—
Finished goods	41,200	28,200
	$ 137,141	$ 43,200

NOTE 7 – PURCHASE OF PRANA THERAPUETICS, INC.

On June 8, 2017, we entered into an agreement to purchase 400,000 shares of Prana Therapeutics, Inc. ("Prana"), in a private offering of their common shares, for a total consideration of $200,000 ("Subscription Agreement'). In accordance with the terms of the Subscription Agreement, we paid Prana $50,000, upon execution of the Subscription Agreement, and committed to remit $50,000 to Prana on September 30, 2017, December 31, 2017 and March 31, 2018, respectively. Subsequently, on July 14, 2017, we completed the acquisition of Prana in a one-for-one exchange of 5,730,000 shares of our common stock for 5,730,000 shares of common stock of Prana. The purchase price had a fair market value of $5,070,500, based upon the closing price of $0.85 per share of our common stock on the OTC QB exchange on July 14, 2017, including the cost to purchase 400,000 shares of Prana for $200,000.

The purchase price for Prana was allocated to the net tangible and intangible assets based upon their fair values as of the acquisition date. The excess of the purchase price over the fair values of the net tangible assets and intangible assets was recorded as goodwill and is generally driven by management's expectations and ability to realize synergies and achieve strategic growth. The allocation of the purchase price was, as follows:

	March 31, 2018
Patents	$ 52,596
Net assets	522,761
Goodwill	4,495,143
Total	$ 5,070,500

NOTE 8 – GRANTED PATENT

On August 15, 2017, the United States Patent and Trademark Office issued to the Company US Patent #9730911 (the "Patent") granting exclusive rights to its proprietary composition of matter in liquid formulations, based on compounds extracted from cannabis plant materials; more specifically the composition of matter pertaining to the use of phytocannabinoids, cannabinoids, and specific terpene profiles in liquid form. This composition of matter Patent provides protection for our proprietary formulations. The Patent protects the use of suspending both phytocannabinoids and cannabinoids with specific combinations of cannabis derived terpenes in liquid forms with an array of delivery methods including capsule, sublingual, topical, oral, suppository, and vaporization. Cannabinoids referenced in the application include ratios of tetrahydrocannabinolic acid (THCa), cannabidiolic acid (CBDa), tetrahydrocannabinol (THC), cannabinol (CBN), cannabidiol (CBD), cannabichromenic acid (CBCa), and cannabichromene (CBC). At August 15, 2017, we classified the costs associated with research, legal fees, application costs incurred in the process of being granted the Patent on our consolidated balance sheet in the amount of $142,317, and we began amortizing such cost of the Patent on a straight-line basis over a 15-year period. Amortization expense of the Patent is $4,458 and $0.0 for the three-month period ended March 31, 2018 and 2017, respectively and accumulated amortization is $4,458 and $2,679 at March 31, 2018 and December 31, 2017, respectively.

NOTE 9 – INTANGIBLE ASSETS

Our intangible assets are comprised of the costs incurred in pursuing provisional patent applications and applications for design mark and trademarks, which have presently not been approved or issued. The costs associated with our intangible assets are amortized on a straight-line basis over estimated useful lives of 15 years for patents and 10 years for design marks and trademarks once the applications are approved. Costs associated with applications that are not approved will be expensed in the period that the application is rejected or abandoned.

NOTE 10 – INSTALLMENT LOAN PAYABLE

Installment loan payable consists of a 48-month installment loan incurred in connection with the purchase of a truck that is used at our extraction facility. The outstanding balance on the installment loan was $32,757 and $46,667 at March 31, 2018, and December 31, 2017, respectively. The terms of the installment loan specify monthly payments of $955, however, we are making payments of $6,955 per month to pay the loan off in a six-month period. As a result of our intentions to pay the loan off in six months, the entire balance of the installment loan has been classified as a current liability.

NOTE 11 – DEFERRED REVENUE

Our deferred revenue consists of:

	March 31, 2018	December 31, 2017
Deferred revenue – WeedMD	$ 158,750	$ 203,750
Less – current portion	(158,750)	(180,000)
Deferred revenue, net of current portion	$ —	$ 23,750

On June 9, 2014, we received 1,187,500 common shares and 3,000,000 warrants to purchase common shares of WMD in exchange for future consulting services and use of our intellectual property. We recorded the $893,750 fair value of these securities as deferred revenue and we recognized $150,000 of this amount as revenue during the period July 1, 2014 through December 31, 2014, based upon our initial three-year estimate of the service period involved. Based on recent discussions with WMD, we now expect to deliver the remaining consulting services and use of our intellectual property to WMD on a relatively consistent monthly basis during the four-year period January 1, 2015 through December 31, 2018. Accordingly, we are now recognizing $15,000 of deferred revenue per month. We recognized $45,000 and $180,000 of revenue applicable to this arrangement in the three months ended March 31, 2018 and the year ended December 31, 2017, respectively. At March 31, 2018, we expect to recognize $158,750 of the remaining $158,750 WMD deferred revenue during the next twelve months and accordingly, we have classified the $158,750 as a current liability on our consolidated balance sheets.

NOTE 12 – CONVERTIBLE NOTE PAYABLE

We do not have any convertible notes payable as of March 31, 2018 and December 31, 2017.

On August 10, 2016, we borrowed $125,000 and used the proceeds for working capital purposes. The loan, together with interest at 12% per year, was payable on May 10, 2017. We could prepay the loan at any time. If the loan was repaid on or before October 16, the principal amount which was being repaid would increase by 25%. If the loan was repaid on or before October 16, 2016 through February 12, 2016, the principal amount which was being repaid would increase by 30%. Thereafter, the note could be repaid only upon written consent from the noteholder, and the principal amount that was being repaid would increase by 30%. At any time after the date of the note, the noteholder was entitled to convert all of the outstanding and unpaid principal in to shares of our common stock. Until February 12, 2017, the conversion price was $0.20 per share, and thereafter, the conversion price was at a 45% discount to the lowest closing price of our common stock for the ten trading days preceding the conversion date. The noteholder could not make any conversions that would result in the note holder holding more than 4.99% of our issued and outstanding common stock at any one time. If the note had been held through February 12, 2017, derivative accounting would have applied upon the change to a variable conversion price. This convertible note was paid in full on February 9, 2017.

NOTE 13 – NOTES PAYABLE TO AND ADVANCES FROM OFFICERS AND DIRECTORS

Notes payable to and advance from officers and directors consisted of the following:

	March 31, 2018	December 31, 2017
Note payable to Earnie Blackmon, an officer and director	$ 332,760	$ 246,458
Note payable to Tony Verzura, an officer and director	15,844	14,889
	$ 348,604	$ 261,347

On April 6, 2016, we borrowed $25,000 from Ernest Blackmon and $25,000 from Tony Verzura and used the proceeds to repay principal and interest applicable on our $102,000 convertible promissory note dated October 12, 2015, to JSJ Investments Inc. The loans, together with interest at 12% per year, are payable on December 30, 2016. We may prepay the loans at any time. If the loans are repaid on or before September 30, 2016, the principal amount, which is being repaid, will increase by 10%. If the loans are repaid after September 30, 2016, the principal amount, which is being repaid will increase by 15%. As of December 31, 2016, the loans were not repaid, when they were due, per the terms of the notes, and thus, the principal balance of the notes was increased to $57,500 in the aggregate, with the addition to the principal balance charged to interest expense.

During the three months ended March 31, 2018 and the year ended December 31, 2017 Messrs. Blackmon, Verzura and Ruby, who are officers and directors of the Company, paid obligations and expenses on behalf of the Company, from their own individual, personal funds. Such payments have been recorded in the consolidated balance sheets as a component of Notes payable to and advances from officers and directors.

NOTE 14 – STOCKHOLDERS' EQUITY

Preferred Stock

On July 18, 2017, the Board of Directors adopted a resolution creating a series of Preferred Shares, no par value per share, designated as the Series A Preferred Shares. We subsequently issued 2,000 shares of our Series A preferred stock for $2,200 to of our officers and directors.

Warrants:

The following table summarizes our share warrants outstanding as of March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Warrants outstanding, beginning of period	1,209,025	$ 0.21	$ 1,551,356	$ 0.18
Warrants issued to consultants	25,002		132,669	
Warrants exercised	—		(475,000)	
Warrants outstanding, end of period	1,234,027	$ 0.27	1,209,025	$ 0.21
Warrants exercisable, end of period	1,234,027	$ 0.27	1,209,025	$ 0.21

The weighted-average remaining contractual life for warrants outstanding and exercisable at March 31, 2018, is 3.6 years, and the aggregate intrinsic value of warrants outstanding and exercisable at March 31, 2018 is $0.

666,667 warrants issued during the years ended December 31, 2017 were valued utilizing the Black Scholes option pricing model and the following range of assumptions on the date of valuation:

Stock price	$ 0.16 - $2.18
Exercise price	$ 0.18
Risk free interest rate	1.01% - 1.37%
Expected term (years)	5
Expected volatility	322% - 504%
Expected dividends	0%

Stock Options

On February 28, 2018, we awarded 6,000,000 stock options to various employees under our 2017 Stock Incentive Plan. Of these options, 5,125,000 were fully vested at the time of grant with the remaining 875,000 vesting quarterly through December 31, 2019. The awarded options give the option holder the right to purchase shares of our common stock at $1.08 per share during the ten-year term of the option.

We calculated the fair value of each option to be approximately $0.91 per option utilizing the Black Scholes option pricing model and the following range of assumptions on the date of valuation:

Stock price	$ 1.05
Exercise price	$ 1.08
Risk free interest rate	2.8%
Expected term (years)	5-10
Expected volatility	197%
Expected dividends	0%

The total grant-date fair value of these options was approximately $6,146,000. Stock-based compensation expense related to these stock options included in general and administrative expenses for the three months ended March 31, 2018 was approximately $5,324,754.

The following table summarizes our stock options outstanding as of both March 31, 2018 and December 31, 2017, respectively:

	Number of Shares	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
Stock options outstanding at January 1, 2017	3,680,000	8.9	$ 0.28
Issued	3,957,500		
Exercised	(1,000,000)		
Expired	—		
Stock options outstanding at December 31, 2017	6,637,500	8.7	$ 0.57
Stock options exercisable at December 31. 2017	6,580,000	8.7	0.57
Stock options outstanding at December 31, 2017	6,637,500		
Issued	6,000,000	9.9	1.08
Exercised	—		
Expired	—		
Stock options outstanding at March 31, 2017	12,637,500	9.2	0.78
Stock options exercisable at March 31, 2018	11,705,000	9.2	$ 0.78

The weighted-average remaining contractual life for stock options outstanding and exercisable at March 31, 2018 is 9.2 years, and the aggregate intrinsic value of options outstanding and exercisable at March 31, 2018 is $0.78.

NOTE 15 – SHARE-BASED COMPENSATION

Share-based Compensation

We recognize share-based compensation expense in cost of revenues, sales and marketing expenses, research and development expenses, general and administrative expenses, and other income and expenses, based on the fair value of common shares issued for services. In addition, we accrue share-based compensation expense for estimated share-based awards earned during the three months ended March 31, 2018 and 2017, under our 2014 Equity Incentive Plan and our 2017 Equity Incentive Plan. Share-based compensation expense for the three months ended Mach 31, 2018 and 2017 is, as follows:

	Three Months Ended March 31 2018	Three Months Ended March 31 2017
Warrants issued for consulting and other services	$ —	$ 91,333
Common stock issued for accounts payable and accrued expenses	—	43,376
Common stock issued for services	65,885	120,616
Common stock issued for advisory board fees	56,043	—
Common stock issued as compensation to employees	42,300	—
Stock options issued to officers and directors	5,324,754	—
	$ 5,488,982	$ 255,325

The stock options issued to officers and directors were issued under the 2018 Stock Incentive Plan, and such shares were fully vested at the date of grant.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Contractual Obligations and Commercial Commitments

Financing Commitment

On January 19, 2018, we entered into an equity line of credit agreement with Tangiers Global, LLC (“Tangiers”). Under the equity line agreement, Tangiers has agreed to provide the Company with up to $10,000,000 of funding through the purchase of shares of the Company’s common stock. During the term of the agreement, the Company may deliver a put notice to Tangiers, which will specify the number of shares which the Company will sell to Tangiers. The maximum amount that the Company shall be entitled to put to Tangiers per any applicable put notice is that number of shares of our common stock up to or equal to 400% of the average of the daily trading volume of our common stock for the eight consecutive trading days immediately prior to the date of the applicable put notice. The minimum amount the Company can draw down at any one time is $5,000, and the maximum amount the Company can draw down at any one time is $1,000,000, as determined by multiplying the put amount by the average daily volume weighted average prices of our common stock for the ten (10) trading days immediately prior to the applicable put notice.

A closing will occur on the date which is no earlier than five (5) trading days following, and no later than seven (7) trading days following, the applicable put notice. On each closing date, the Company will sell, and Tangiers will purchase, the shares of the Company’s common stock specified in the put notice. The amount to be paid by Tangiers on a particular closing date will be determined by multiplying the purchase price by the number of shares specified in the put notice. The purchase price is 85% of the average the two lowest volume weighted average trading prices of the Company’s common stock during the pricing period applicable to the put notice. The pricing period, with respect to a particular put notice, is five consecutive trading days including, and immediately following, the delivery of a put notice to Tangiers. The Company may submit a put notice once every eight trading days, provided the closing of the previous transaction has taken place. The Company is under no obligation to submit any put notices.

The Company has filed a Registration Statement with the Securities and Exchange Commission so that the shares of common stock to be sold to Tangiers may be sold in the public market. The equity line agreement will become effective on the date the Registration Statement is declared effective by the Securities and Exchange Commission.

Clinical Trial Agreement

Under the terms of an agreement dated November 11, 2017, we committed to cover the costs to perform clinical trials with The University of the West Indies through the Topical Metabolism Research Unit of the Caribbean Institute for Health Research located in Kingston, Jamaica, initially scheduled as follows:

- An instalment of $50,000 upon both the approval of specific protocol by the Ethics Committee of the Institutional Review Board of the Ministry of Health, Jamaica, and the execution of the clinical trial agreement,
- An instalment of $51,182 upon the enrollment of the 12th patient,
- An instalment of $51,182 after all twelve patients go through the washout period determined in the specific protocol and return for a second dose, and
- An instalment of $51,182 upon completion of the clinical trial.

Additionally, we have agreed to reimburse The University of the West Indies for care and treatment of adverse reactions or injury sustained by a patient, as a direct result of the clinical trial.

Research Laboratory

Under the terms of a research agreement entered into in October 2017 with the University of Florida Trustees (“UFT”), we committed to pay UFT $151,772, upon the execution of the research agreement, and $75,886 in each of the months of February 2018 and June 2018, for a total commitment of $303,544.

Executive Office Lease

Effective August 1, 2018, we signed a thirty-six-month lease of approximately 6,683 square feet of commercial office space in Golden, Colorado that we use as our executive offices. The lease expires on July 31, 2020 and requires the payment of monthly base rental rates of $3,302 through July 31, 2018, $3,000 through July 31, 2019 and $3,799 through July 31, 2020. As additional rent, we are required to pay for an allocation of common area costs and expenses, plus all utilities.

Weldona Facility Lease

Effective October 1, 2017, we entered into a lease of approximately 40,000 square feet of industrial space in Weldona, Colorado that we us as our hemp extraction facility and hemp cultivation center. The term of the lease expires on October 31, 2018, with an annual option to renew that expires on September 30, 2022. The rent is $7,500 per month throughout the term of the lease, plus we are responsible for all utilities.

Legal Proceedings

There have been no material developments in legal proceedings in which we are involved as of March 31, 2018.

NOTE 17 – SUBSEQUENT EVENTS

On April 2, 2018, we entered into a 5%, unsecured promissory note (“Note”) in the principal amount of $600,000 that is due six months from the date of the loan. Proceeds from under the terms of the Note in the amount $570,000 were used by the Company to acquire additional equipment for our new extraction facility and for working capital purposes

In accordance with ASC 855-10 we have analyzed the Company’s operations subsequent to March 31, 2018 to the date these consolidated financial statements were issued, and have determined that, other than as disclosed above, we do not have any material subsequent events to disclose in these consolidated financial statements.

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

Certain statements set forth below under this caption constitute forward-looking statements. See "Forward-Looking Statements" in the Prospectus Summary.

You should read the following discussion and analysis of financial condition and results of operations in conjunction with the consolidated financial statements and related notes appearing elsewhere in this Prospectus.

Overview

We were originally formed as a California corporation under the name MySkin, Inc. on November 15, 2007. MySkin was engaged in the business of providing management services to a medical spa in Los Angeles, California which provided various advanced skin care services until March 31, 2014, when this business was sold to the prior President of the Company.

Following this sale, we changed our focus to providing products, services and intellectual property to the cannabis industry.

Results of Operations

Material changes in line items in our Statement of Operations for the three months ended March 31, 2018, as compared to the same period last year, are discussed below:

Item	Increase (I) or Decrease (D)	Reason
Revenues	I	Increase occurred as the result of an additional licensing agreement put in place during the three months ended March 31, 2018 that was not in place for the same period last year.
Gross profit, as a % of revenue	I	Increased because license fees have no applicable cost of goods sold.
Operating expenses	I	Greater amounts were spent on (i) research and development, (ii) legal, accounting, consulting and public reporting, and (iii) General and administrative expenses. Share-based compensation of $5,488,982 was incurred during the three months ended March 31, 2018, which included options granted to officers and directors that were fair valued at $5,324,754, while share-based compensation for the same period last year was $0. Research and development increased $191,518 over 2017 due to the costs incurred in developing our pilot extraction facility and program.
Non-Operating expenses	I	Our other non-operating expense was $564,559 and $296,376 for the three months ended March 31, 2018 and 2017, respectively. The increase in other non-operating expenses is due to $556,061 from losses due to discounts experienced in the issuance of common stock compared to $0 during this period in 2017. Such increase was reduced by the fact that we did not incur any loss on the extinguishment of debt or the repurchase of warrants during the three months ended March 31, 2018.

The factors that will most significantly affect future operating results will be:

- State by state regulatory changes with respect to marijuana in the United States; and
- Rescheduling of marijuana by the federal government.

Other than the foregoing we do not know of any trends, events or uncertainties that have had, or are reasonably expected to have, a material impact on our revenues or expenses.

Capital Resources and Liquidity

Our material sources and (uses) of cash during the three months ended March 30, 2018 and 2017 were:

	2018	2017
Cash used in operations	$ (1,651,026)	$ (124,879)
Proceeds from issuance of common stock – equity financing line	1,380,831	—
Acquisition of equipment for and improvements to cultivation facilities, laboratories and leasehold improvements	(463,414)	(130,541)
Purchase of intangible assets	(50,443)	—
Advances from officers and directors	80,196	178,383
Sale of common stock	57,083	—
Payments on installment loan	(13,910)	—

General

Future minimum amounts the Company is required to pay under the terms of its operating leases are, as shown below;

	2018	2019	2020	2021	2022
Cultivation and extraction facility in Weldona, Colorado	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 45,000
Administrative offices and extraction and testing laboratory in Golden, Colorado	41,207	44,397	15,197	—	—
Cultivation and extraction facility in Jamaica	1	1	1	1	1
	$ 131,208	$ 134,398	$ 105,198	$ 90,001	$ 45,001

The future minimum payments required under the terms of our material contractual obligations are, as shown below.

	2018	2019	2020	2021	2022
Operating leases	$ 131,208	$ 134,398	$ 105,198	$ 90,001	$ 45,001
Research laboratory at the University of Florida School of Medicine	303,544	—	—	—	—
Clinical trials at the West Indies School of Medicine	101,182	102,364	—	—	—
	$ 535,934	$ 236,762	$ 105,198	$ 90,001	$ 45,001

Other than as disclosed above, we do not know of any:

- trends, demands, commitments, events or uncertainties that will result in, or that are reasonable likely to result in, our liquidity increasing or decreasing in any material way; or
- any significant changes in our expected sources and uses of cash.

During the next twelve months, we anticipate that we will incur approximately $2,000,000 of salaries and wages and general and administrative expenses, in order to execute our current business plan. We also expect to incur significant sales, marketing, research and development expenses during the next twelve months, and we expect to spend approximately (i) $2,000,000 on expanding our production facility in Colorado, (ii) $500,000 on pursing licensing and patent applications for products developed and licensed by our recently acquired 95% owned subsidiary, Prana Therapeutics, Inc., and (iii) $500,000 on solidifying agreements with potential licensees who might be utilizing or want to utilize our patented formulations and processes, and (iv) 750,000 on clinical research and clinical trials.

Off-Balance Sheet Arrangements

None.

Significant Accounting Policies

See Note 2 to the financial statements included as part of this report for a description of our significant accounting policies.

Recent Accounting Pronouncements

From time to time, the FASB or other standards setting bodies issue new accounting pronouncements. Updates to the FASB ASCs are communicated through issuance of an Accounting Standards Update ("ASU"). Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our consolidated financial statements upon adoption.

To understand the impact of recently issued guidance, whether adopted or to be adopted, please review the information provided in Note 2 to the financial statements included as part of this Report.

ITEM 4. CONTROLS AND PROCEDURES.

An evaluation was carried out under the supervision and with the participation of our management, including our Principal Executive and Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Our Principal Executive and Financial Officer concluded that our disclosure controls and proceeding were not effective since we have a material weakness in these controls due to: (i) lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (ii) inadequate segregation of duties consistent with control objectives; and (iii) ineffective controls over period end financial disclosure and reporting processes. 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 our annual or interim financial statements will not be prevented or detected on a timely basis.

While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions at this point in time to justify additional full-time staff. We believe that this is typical in many start-up companies. We may not be able to fully remediate our material weaknesses until we increase our operations at which time we would expect to hire more staff and consider increasing the number of directors on our board. We will continue to monitor and assess the costs and benefits of additional staffing. We have increased services and related staffing through our business and financial consulting contractor to remedy existing internal control and disclosure control deficiencies.

While we have not yet remediated these material weaknesses, we will continue our remediation efforts during fiscal 2018.

Notwithstanding the identified material weaknesses, our management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Change in Internal Control over Financial Reporting

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter covered by this report that materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS.

Exhibits

31.1	Certification of Chief Executive Officer pursuant to Security Exchange Act Rule 13a-14 and 15d-14.
31.2	Certification of Chief Financial Officer pursuant to Security Exchange Act Rule 13a-14 and 15d-14.
32.1	Certification of the Company’s Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	XBRL Exhibits

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 be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED CANNABIS CORPORATION

Date: May 14, 2018

By: /s/ Earnest Blackmon
Earnest Blackmon
Chief Executive Officer

Date: May 14, 2018

By: /s/ John Walsh
John Walsh
Principal Financial and Accounting Officer

CERTIFICATIONS

I, Earnest Blackmon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Cannabis Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal control over financial reporting.

May 15, 2018

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Earnest Blackmon, Principal Executive Officer

CERTIFICATIONS

I, John Walsh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of United Cannabis Corporation.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal control over financial reporting.

May 15, 2018

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John Walsh, Principal Financial Officer

In connection with the Quarterly Report of United Cannabis Corporation (the "Company") on Form 10-Q for the period ending March 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), Earnest Blackmon, the Company's Principal Executive Officer, and John Walsh, the Company's Principal Financial Officer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2013, that to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the Company.

May 15, 2018

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Earnest Blackmon, Principal Executive Officer

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John Walsh, Principal Financial Officer