

# CANNABICS PHARMACEUTICALS INC.

## **FORM 10-Q** (Quarterly Report)

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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 May 31, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 333-192759

CANNABICS PHARMACEUTICALS INC.  
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

46-5644005

(IRS Employer Identification No.)

#3 Bethesda Metro Center, Suite 700  
Bethesda, MD

(Address of principal executive offices)

20814

(Zip Code)

(877) 424-2429

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer 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 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  (Do not check if a smaller reporting company)

Smaller reporting company

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 July 14, 2016, the registrant had 107,026,665 shares of its Common Stock, \$0.0001 par value, outstanding.

**CANNABICS PHARMACEUTICALS INC.**  
**FORM 10-Q**  
**May 31, 2016**  
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CANNABICS PHARMACEUTICALS INC.  
Consolidated Balance Sheets

	May 31, 2016 <u>(UnAudited)</u>	August 31, 2015 <u>(Audited)</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 88,502	\$ 25,229
Prepaid expenses and other receivables	\$ 2,047	\$ 274
<b>Total current assets</b>	<b><u>90,549</u></b>	<b><u>25,503</u></b>
<b>Equipment, net</b>	<b><u>1,955</u></b>	<b><u>3,201</u></b>
<b>Total assets</b>	<b><u>\$ 92,504</u></b>	<b><u>\$ 28,704</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 214,594	\$ 113,847
Derivative liability	\$ 2,354	\$ –
Deferred revenue	\$ 50,000	–
Due to a related party	\$ 224,483	\$ 224,483
<b>Total current liabilities</b>	<b><u>491,431</u></b>	<b><u>338,330</u></b>
<b>Stockholders' equity (deficit):</b>		
Common stock, \$.0001 par value, 900,000,000 shares authorized, 107,026,665 and 101,503,333 shares issued and outstanding at May 31, 2016 and August 31, 2015, respectively	4 10,703	10,150
Additional paid-in capital	1,108,168	959,362
Accumulated deficit	(1,517,798)	(1,279,138)
<b>Total stockholders' equity (deficit)</b>	<b><u>(398,927)</u></b>	<b><u>(309,626)</u></b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b><u>\$ 92,504</u></b>	<b><u>\$ 28,704</u></b>

See accompanying notes to consolidated financial statements.

**CANNABICS PHARMACEUTICALS INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**

	For the Three Months Ended		For the Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
<b>Net revenue</b>	\$ 50,000	\$ –	\$ 62,500	\$ –
<b>Cost of revenue</b>	–	–	–	–
<b>Gross profit</b>	50,000	–	62,500	–
<b>Operating expenses:</b>				
General and administrative expenses	\$ 48,315	\$ 62,817	\$ 153,230	\$ 201,338
Sales and marketing expenses	–	19,836	\$ 791	\$ 50,836
Research and development expense	15,530	71,189	\$ 122,555	\$ 84,293
<b>Total operating expenses</b>	<b>63,845</b>	<b>153,842</b>	<b>276,576</b>	<b>336,467</b>
<b>Loss from operations</b>	(13,845)	(153,842)	(214,076)	(336,467)
<b>Other ( income ) and expense</b>				
Foreign exchange gain	–	–	1,386	–
Financial Loss	(12,635)	–	(25,970)	–
<b>Loss before income taxes</b>	<b>(26,480)</b>	<b>(153,842)</b>	<b>(238,660)</b>	<b>(336,467)</b>
Provision for income taxes	–	–	–	–
<b>Net loss</b>	<b>\$ ( 26,480)</b>	<b>\$ (153,842)</b>	<b>\$ (238,660)</b>	<b>\$ (336,467)</b>
<b>Net loss per share - basic and diluted:</b>	<b>\$ 0.000</b>	<b>\$ (0.002)</b>	<b>\$ (0.002)</b>	<b>\$ (0.003)</b>
<b>Net loss</b>	<b>\$ ( 26,480)</b>	<b>\$ (153,842)</b>	<b>\$ (238,660)</b>	<b>\$ (336,467)</b>
<b>Weighted average number of shares outstanding - Basic and Diluted</b>	<b>104,885,216</b>	<b>100,665,616</b>	<b>102,983,381</b>	<b>100,618,327</b>

See accompanying notes to consolidated financial statements.

**CANNABICS PHARMACEUTICALS INC.**  
**Consolidated Statements of Cash Flows**  
**(Audited)**

	<b>For the nine months ended</b>	
	<b>May 31, 2016</b>	<b>May 31, 2015</b>
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net (Loss) Profit	\$ (238,660)	\$ (336,467)
Depreciation	1,245	1,103
Stock issued for services	19,850	35,500
Stock to be issued for services	–	10,000
Change in fair value of derivative liability	2,354	–
Amortization of discount	20,000	–
Changes in operating assets and liabilities:	–	–
Accounts Receivable and pre paid expenses	(1,773)	9,619
Deferred revenue	50,000	–
Accounts payable and accrued liabilities	96,257	(6,516)
Due to related party	–	135,684
<b>Net cash used in operating activities</b>	<b>(50,727)</b>	<b>(151,077)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of equipment	–	(3,711)
<b>Net cash used in investing activities</b>	<b>–</b>	<b>(3,711)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from Promissory note	20,000	–
Proceeds from sale of common stock	94,000	78,333
<b>Net cash provided by financing activities</b>	<b>114,000</b>	<b>78,333</b>
<b>Effects of exchange rates on cash</b>	<b>–</b>	<b>(762)</b>
<b>Net Increase in cash</b>	<b>63,273</b>	<b>(77,217)</b>
Cash and cash equivalents at beginning of year	25,229	98,768
<b>Cash and cash equivalents at end of Quarter</b>	<b>\$ 88,502</b>	<b>\$ 21,551</b>

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements (unaudited)

### Note 1– Nature of Business, Presentation and Going Concern

#### **Organization**

Cannabics Pharmaceuticals Inc. (the "Company"), was incorporated in the State of Nevada, on September 15, 2004, under the name of Thrust Energy Corp. The Company was originally engaged in the exploration, exploitation, development and production of oil and gas projects within North America, but was unable to operate profitably.

In May 2011, the Company changed its name to American Mining Corporation, suspending its oil and gas operations and changing its business to toll milling and refining, mineral exploration and mine development.

On April 25, 2014, the Company experienced a change in control. Cannabics, Inc. ("Cannabics") acquired a majority of the issued and outstanding common stock of the Company in accordance with stock purchase agreements by and between Cannabics and Thomas Mills ("Mills"). On the closing date, April 25, 2014, pursuant to the terms of the Stock Purchase Agreement, Cannabics purchased from Mills 20,500,000 shares of the Company's outstanding restricted common stock for \$198,000, representing 51%.

On May 21, 2014, the Company changed its name, via merger in the state of Nevada, to Cannabics Pharmaceuticals Inc. At this time the Company has changed its course of business to pharmaceutical development.

On July 31, 2014, Cannabics Pharmaceuticals Inc. filed its exclusive Patent Application with the US Patent & Trademark Office (USPTO), which covers the proprietary technology developed by its team of experts in the field of cannabinoid long acting lipid based formulations. This patent is the basis for the company's "CANNABICS SR" technology, which consists of the IP for standardized and long acting medical cannabis capsules, designed for patients suffering from diverse indications. Simultaneously this Patent was filed with the PCT division of the Israeli Patent Office (ILPO) in order to provide International IP protection. On February 24, 2016 Cannabics pharmaceuticals filed a new patent application for the company's slow release capsules

On August 25, 2014, the Company organized G.R.I.N. Ultra Ltd. ("GRIN"), an Israeli corporation, as a wholly-owned subsidiary. GRIN provides research and development activities in Israel.

On February 24, 2016, the Company filed a new patent application for the company's slow release medical capsules with the US Patent & Trademark Office, as noted in their Press Release of that date.

On March 22<sup>nd</sup>, 2016, the Company announced the start of a regulated Clinical Study for Cancer Patients in Israel under the auspices of the Rambam Medical Center and the Ministry of Health. This clinical study involves patients with advanced cancer and cancer anorexia cachexia syndrome (CACS), endpoints examined are weight gain appetite, quality of life and a marker for anti-cancer activity. Quality of life in patients with CACS is directly related to loss of appetite and loss of weight. This study examines the influence of Cannabics Pharmaceuticals SR capsules on both of these common effects of cancer and cancer treatment. Secondary outcome measures are improvement in appetite, reduction in TNF-alpha level, safety assessment for early psychiatric side-effects, quality of life and evaluation of muscle strength. While this study is taking place in Israel, it is fully registered with the US NIH under "*Cannabics Capsules as Treatment to Improve Cancer Related CACS in Advanced Cancer Patients*", Identifier NCT02359123, and may be found at <https://clinicaltrials.gov/ct2/show/NCT02359123>

#### **Stock Split**

On June 3, 2014, the Company's Board of Directors declared a two-to-one forward stock split of all outstanding shares of common stock. The stock split was approved by FINRA on June 25, 2014. The effect of the stock split increased the number of shares of common stock outstanding from 40,880,203 to 81,760,406. All common share and per common share data in these financial statements and related notes hereto have been retroactively adjusted to account for the effect of the stock split for all periods presented prior to June 3, 2014. The total number of authorized common shares and the par value thereof was not changed by the split.

#### **Basis of Presentation**

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial statement presentation and in accordance with Form 10-Q. Accordingly, they do not include all of the information and footnotes required in annual financial statements. In the opinion of management, the unaudited financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position and results of operations and cash flows. The results of operations presented are not necessarily indicative of the results to be expected for any other interim period or for the entire year.

These unaudited financial statements should be read in conjunction with our 2015 annual financial statements included in our Form 10-K, filed with the U.S. Securities and Exchange Commission ("SEC") on January 7, 2016.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Cannabics Pharmaceuticals Inc. and its wholly-owned subsidiary, G.R.I.N. Ultra Ltd. All significant inter-company balances and transactions have been eliminated in consolidation.

### ***Going Concern***

The accompanying unaudited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred a net loss of \$238,660 for the nine months ended May 31, 2016 and has incurred cumulative losses since inception of \$1,517,798. These conditions raise substantial doubt about the ability of the Company to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon its abilities to generate revenues, to continue to raise investment capital, and develop and implement its business plan. No assurance can be given that the Company will be successful in these efforts.

The unaudited financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Management believes that actions presently being taken to obtain additional funding and implement its strategic plans provide the opportunity for the Company to continue as a going concern. No assurance can be given that the Company will be successful in these efforts.

### ***Research and Development Costs***

The Company accounts for research and development costs in accordance with ASC 730 "Research and Development". ASC 730 requires that research and development costs be charged to expense when incurred. Research and development costs charged to expense were \$15,530 and \$71,189 for the three months ended May 31 2016 and 2015, respectively, and \$122,555 and 84,293 for the nine months ended May 31 2016 and 2015, respectively.

### ***Revenues***

Revenue is recognized when all of the following criteria are met: there is persuasive evidence of an arrangement; the product has been delivered or services have been rendered; the fee is fixed and determinable; and collectability is probable.

During the 3 month period which ended on May 31<sup>st</sup> 2016, the company received \$50,000 for a license option agreement.

### ***Reclassifications***

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported losses, total assets, or stockholders' equity as previously reported.

### **Note 2 – Intangible Assets**

On July 24, 2014, the Company executed a Collaboration & Exclusivity Agreement with Cannabics, Inc. ("Cannabics"), a Delaware corporation and largest shareholder of the Company. Per the terms of the Agreement, the Company has issued 18,239,594 shares of its common stock to acquire the entire institutional knowledge of Cannabics, Inc., which primarily consists of the human Brain Trust in its team of experts, the cumulative result of their years of scientific knowledge in the fields of Molecular Biology, Cancer and Pharmacology research. Additionally Cannabics tendered \$150,000 to the Company specifically earmarked as working funds towards prospective short-term projects of the Company.

Since that time, Management has determined that fair value measurement is not allowable where there are entities under common control and cost should be used based on the carrying book value of the seller's intangible. So that the only value ascribed to this transaction is the cash received for the transfer of the additional shares to the controlling parent company.

### **Note 3 – Related Party Transactions**

On July 24, 2014, the Company executed a Collaboration & Exclusivity Agreement with Cannabics, Inc., a Delaware Corporation and largest shareholder of the Company. Per the terms of the agreement, the Company issued 18,239,594 shares of its common stock to acquire the entire institutional knowledge of Cannabics Inc. as well as \$150,000. See notes 2 and 8 for additional information.

During the year ended August 31, 2015, Cannabics advanced \$175,683 to the Company for working capital purposes this advance was in addition to \$48,800 from 2014 resulting in a balance outstanding at August 31, 2015 of \$224,483. No additional money was advance during the last 9 month and this is also the balance as of May 31, 2016. The advance is due on demand and bears no interest.



**Note 4 –Stockholders’ Equity (Deficit)*****Authorized Shares***

The Company is authorized to issue up to 900,000,000 shares of common stock, par value \$0.0001 per share. Each outstanding share of common stock entitles the holder to one vote per share on all matters submitted to a stockholder vote. All shares of common stock are non-assessable and non-cumulative, with no preemptive rights.

***Common Stock***

On June 3, 2014, the Company's Board of Directors declared a two-to-one forward stock split of all outstanding shares of common stock. The stock split was approved by FINRA on June 25, 2014. The effect of the stock split increased the number of shares of common stock outstanding from 40,880,203 to 81,760,406. All common share and per common share data in these financial statements and related notes hereto have been retroactively adjusted to account for the effect of the stock split for all periods presented prior to June 3, 2014. The total number of authorized common shares and the par value thereof was not changed by the split.

During the year ended August 31, 2015, the Company issued 540,000 shares of its common stock to 9 consultants for services rendered at a fair value of \$83,123, or an average of \$0.16 per share. During the nine month ended May 31st, 2016 the company issued to service providers 1,290,000 shares and 5,174,333 options.

**Note 5 – Commitments and Contingencies**

Effective December 1, 2014, the Company executed a two year leases agreement of an office space for its research and development activities in Caesarea, Israel. On March 1<sup>st</sup>, 2015 the company terminated this lease agreement and as of May 31, 2016, the total amount due is \$4,000 .

**Note 6 – Material Definitive Agreements**

On January 25<sup>th</sup>, 2016 Cannabics Pharmaceuticals Inc. executed an exclusive IP Licensing Agreement with Mountain High Products LLC and the Cima Group LLC for the production and distribution of the Company’s CANNABICS SR technology of medical cannabis capsules in Colorado. Mountain High LLC, operates under the trade name, Wana Caps.

**Note 7- Deferred Revenue**

During the 3 months ending May 31<sup>st</sup> 2016, the company received a deposit from a potential strategic investor with whom the company may proceed towards an eventual final licensing agreement for certain of its technologies.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

We believe that it is important to communicate our future expectations to our security holders and to the public. This report, therefore, contains statements about future events and expectations which are "forward-looking statements" within the meaning of Sections 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including the statements about our plans, objectives, expectations and prospects under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." You can expect to identify these statements by forward-looking words such as "may," "might," "could," "would," "will," "anticipate," "believe," "plan," "estimate," "project," "expect," "intend," "seek" and other similar expressions. Any statement contained in this report that is not a statement of historical fact may be deemed to be a forward-looking statement. Although we believe that the plans, objectives, expectations and prospects reflected in or suggested by our forward-looking statements are reasonable, those statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements, and we can give no assurance that our plans, objectives, expectations and prospects will be achieved.

Important factors that might cause our actual results to differ materially from the results contemplated by the forward-looking statements are contained in the "Risk Factors" section of and elsewhere in our Annual Report on Form 10-K for the fiscal year ended August 31, 2015 and in our subsequent filings with the Securities and Exchange Commission. The following discussion of our results of operations should be read together with our financial statements and related notes included elsewhere in this report.

#### Company Overview

Cannabics Pharmaceuticals Inc. (the "Company", "CNBX", "we", "us" or "our") was incorporated in Nevada on September 15, 2004, under the name of Thrust Energy Corp. The Company was originally engaged in the exploration, exploitation, development and production of oil and gas projects within North America, but was unable to operate profitably.

In May 2011, the Company changed its name to American Mining Corporation, suspending its oil and gas operations and changing its business to toll milling and refining, mineral exploration and mine development.

On April 25, 2014, the Company experienced a change in control. Cannabics, Inc. ("Cannabics") acquired a majority of the issued and outstanding common stock of the Company in accordance with stock purchase agreements by and between Cannabics and Thomas Mills ("Mills"). On the closing date, April 25, 2014, pursuant to the terms of the Stock Purchase Agreement, Cannabics purchased from Mills 20,500,000 shares of the Company's outstanding restricted common stock for \$198,000, representing 51%.

Cannabics Inc. is a US based company founded in 2012 by a group of researchers from the fields of molecular biology, cancer research and pharmacology.

On May 21, 2014, the Company changed its name, via merger in the state of Nevada, to Cannabics Pharmaceuticals Inc. The Company's principle offices are in Bethesda, Maryland. At the same time the Company has changed its course of business to pharmaceutical research and development.

On June 3rd, 2014, the Company's Board of Directors declared a two-to-one forward stock split of all outstanding shares of common stock. The stock split was approved by FINRA on June 19<sup>th</sup>, 2014. The effect of the stock split increased the number of shares of common stock outstanding from 40,880,203 to 81,760,406. All common share and per common share data in these financial statements and related notes hereto have been retroactively adjusted to account for the effect of the stock split for all periods presented prior to June 3<sup>rd</sup>, 2014. The total number of authorized common shares and the par value thereof was not changed by the split.

On June 19<sup>th</sup>, 2014, FINRA granted final approval of Change of Name & Ticker Symbol of the Corporation from American Mining Corporation to Cannabics Pharmaceuticals Inc., with the new Ticker Symbol of "CNBX". Said approval was predicated upon Cannabics Pharmaceuticals Inc.'s filing of Articles of Merger with American Mining Corporation with the Nevada Secretary of State on May 21<sup>st</sup>, 2014. Under the laws of the State of Nevada, Cannabics Pharmaceuticals Inc. was merged with and into the Registrant, with the Registrant being the surviving entity. The Merger was completed under Section 92A.180 of the Nevada Revised Statutes, Chapter 92A, as amended, and as such, does not require the approval of the stockholders of either the Registrant or Cannabics Pharmaceuticals Inc.

On July 24, 2014, the Company executed a Collaboration & Exclusivity Agreement with Cannabics, Inc. ("Cannabics"), a Delaware corporation and largest shareholder of the Company. Per the terms of the Agreement, the Company issued 18,239,594 shares of its common stock to acquire the institutional knowledge of Cannabics, Inc., which primarily consists of in-process Research & Development technology, the cumulative result of its years of scientific institutional knowledge in the fields of Molecular Biology, Cancer and Pharmacology research. Additionally Cannabics tendered \$150,000 to the Company specifically earmarked as working funds towards prospective projects of the Company.

On July 31<sup>st</sup>, 2014, Cannabics Pharmaceuticals Inc. filed its exclusive Patent Application with the US Patent & Trademark Office (USPTO), which covers the proprietary technology developed by its team of experts in the field of cannabinoid long acting lipid based formulations. This patent is the basis for the company's "CANNABICS SR" technology, which consists of the IP for standardized and long acting medical cannabis capsules, designed for patients suffering from diverse indications. Simultaneously this Patent was filed with the PCT division of the Israeli Patent Office (ILPO) in order to provide International IP protection. On February 24, 2016 Cannabics pharmaceuticals filed a new and comprehensive patent application for the company's slow release capsules

On August 25<sup>th</sup>, 2014, Cannabics Pharmaceuticals Inc. incorporated a wholly owned subsidiary in Israel, named "G.R.I.N Ultra Ltd", dedicated to the advanced research and development in the company's research laboratory in Caesarea, Israel.

On October 20<sup>th</sup>, 2014, Cannabics Pharmaceuticals Inc. received Government Certification from the Ministry of Health in Israel for the establishment of an advanced R&D laboratory dedicated to medical research and development of cannabinoid-based therapies. R&D is conducted to date in Israel and has resulted in an IP portfolio that includes proprietary formulation methods of cannabinoid extracts that enable a sustained release PK profile of the active ingredients upon oral administration. Our first technology is "Cannabics SR" - a standardized, high bioavailability, sustained release medical cannabis capsule that is based on cannabinoid extracts from selected strains of medical cannabis. The Cannabics SR proprietary formulation was shown to provide a steady state level of beneficial therapeutic effects within the therapeutic window for 10-12 hours. In Israel, numerous patients (most of them oncology patients) have already been treated with Cannabics SR capsules; with both patients and doctors reporting high levels of satisfaction from the uniformity and long lasting therapeutic effects of this unique medical technology.

On November 4<sup>th</sup>, 2014, Cannabics Pharmaceuticals Inc. executed an IP Licensing and Collaboration Agreement with Kalapa Holdings (Spain) for the production and distribution of the Company's CANNABICS SR medical capsules. The IP Licensing Agreement allows for the Company's advanced cannabinoid administration technology to be manufactured and distributed in Spain, exclusively through Kalapa Holdings and its subsidiaries in strict compliance with Spanish law and regulations to certified patients.

On December 18<sup>th</sup>, 2014, Cannabics Pharmaceuticals Inc. executed a letter of engagement with Mountain High Products in Colorado, for the manufacturing and distribution of Cannabics SR technology in the Colorado market. Cannabics SR medical cannabis technology will be utilized by Mountain High Products in strict compliance with Colorado laws and regulations of "Cannabis Infused Edible Products" and distributed to certified dispensaries through Mountain High's existing distribution channels.

On January 25th 2016 Cannabics Pharmaceuticals Inc. executed an exclusive IP Licensing Agreement with Mountain High Products LLC and the Cima Group LLC for the production and distribution of the Company's CANNABICS SR technology of medical cannabis capsules in Colorado. And with, Cima Group LLC which is a related party to mountain high and is charged with their operations in states outside of Colorado

On December 31st, 2014, Cannabics Pharmaceuticals Inc. executed an IP Licensing and Collaboration Agreement with Barak Security Ltd (Israel) for the production and distribution of the Company's CANNABICS SR line of medical cannabis products. The IP Licensing Agreement allows for the Company's advanced cannabinoid administration technology to be manufactured and distributed in Israel and the Czech Republic, exclusively through Barak Security's affiliates and subsidiaries in strict compliance with all local laws and regulations.

On January 29, 2015 the Company executed an Agreement with Rambam Medical Center (Israel) to undertake a controlled pilot study utilizing Cannabics SR Capsules as palliative treatment to improve cancer related Cachexia and Anorexia Syndrome in advanced stage cancer patients. Rambam is a world renowned academic hospital acknowledged for their cutting-edge research projects and integration of innovative new therapies and treatments to over 2 million residents of Northern Israel. You can view the details of this ongoing study from the NIH website at <http://www.cancer.gov/clinicaltrials/search/view?cdrid=769090&version=HealthProfessional&protocolsearchid=12509449>.

On February 15, 2015 the Company executed of a Research Agreement with the Technion Research & Development Foundation Ltd (Israel) to undertake a Research Project entitled " *The Assessment of the Antitumor Activity of the Whole Cannabis Plant Extract, Components and Derivatives Thereof*". The Research Project is scheduled to last one calendar year. Under the terms of the Agreement, Cannabics Pharmaceuticals will collaborate under the supervision of Prof. Dedi Meiri, Head of Technion's Laboratory of Cancer Biology and Cannabinoid Research. The purpose of this Research is to develop a diagnostic and therapeutic system to harness the anti-cancer properties of active cannabis-based ingredients. The study will screen and evaluate different types of human cancer cells treated with a multitude of cannabinoid combinations and observe and catalogue the effects thereof. Technion is consistently ranked among the world's top science and Technology Research Universities. The Faculty of Biology is comprised of 23 independent research groups, focusing on a variety of aspects of Cellular, Molecular and Developmental Biology. The faculty has extensive collaborations with the pharmaceutical and biotechnology industries.

On May 27, 2015, Cannabics Pharmaceuticals Inc. successfully filed its exclusive Patent Application with the US Patent & Trademark Office (USPTO), which covers its System and Method for High Throughput Screening of Cancer Cells. Cannabics' team of scientists has developed a high throughput screening system which is specifically designed to give personalized antitumor treatments to cancer patients. In this proprietary system, biopsies are treated, in-Vitro With innumerable plant extract combinations and the antitumor effects are screened and calculated

### **Plan of Operation**

We are dedicated to the development of advanced and sophisticated cannabinoid-based treatments and therapies. The Company's main focus is development and marketing of various new and innovative therapies and biotechnological tools aimed at providing relief from diverse ailments that respond to active ingredients sourced from the cannabis plant. These advanced tools include innovative delivery systems for cannabinoids, personalized medicine therapies and procedures based on cannabis originated compounds and bioinformatics tools. The initial results from our joint research with the Technion Institute have already been released and quite positive. We intend to monetize our laboratory knowledge to other Bio-Tech and pharmaceutical companies through various joint research arrangements; while at the same time bringing our flagship technology, Cannabics SR, a standardized time release capsule, to the market where the licensing regimen is conducive.

### **Results of Operations**

#### **For the Three Months Ended May 31, 2016 and 2015**

##### Revenues

During the 3 months ending May 31<sup>st</sup> 2016, the company received a \$50,000 deposit from a potential strategic investor with whom the company may proceed towards an eventual final licensing agreement for certain of its technologies. The deposit was forfeited under the terms of the agreement.

##### Operating Expenses

For the three months ended May 31, 2016 we reduced all our activities and therefore our total operating expenses were \$63,845 compared to \$153,842 for the three months ended May 31, 2015 resulting in a decrease of \$89,997. The decrease is attributable to decreases in general and administrative expenses of \$14,502; research and development expenses of \$55,659; and a decrease in sales and marketing expenses of \$19,836.

We incurred financial expenses of \$12,635 compared to Zero for the three month ended on May 31st 2015 As a result, loss from operations was \$13,845 for the three months ended May 31, 2016 compared to \$153,842 for the three months ended May 31, 2015 and the total comprehensive loss was \$26,480 for three months ended May 31, 2016 compared to \$153,842 for the three months ended May 31, 2015.

#### **For the nine Months Ended May 31, 2016 and 2015**

##### Revenues

We had received \$62,500 from licensing agreements and a licensing option agreement during the nine months ended May 31 2016.

##### Operating Expenses

For the nine months ended May 31, 2016 our total operating expenses were \$276,576 compared to \$336,467 for the nine months ended May 31, 2015 resulting in a decrease of \$59,891. The decrease is attributable to decreases in general and administrative expenses of \$48,108; sales and marketing expenses of \$50,045 offset by an increase in research and development expenses of \$38,262.

We incurred foreign currency translation gain of \$1,386 for the nine months ended May 31, 2016 compared to zero for the nine months ended May 31, 2015. As a result, loss from operations was \$214,076 for the nine months ended May 31, 2016 compared to \$336,467 for the nine months ended May 31, 2015 and the total comprehensive loss was \$238,660 for the nine months ended May 31, 2016 compared to \$336,467 for the nine months ended May 31 2015.

## **Liquidity and Capital Resources**

### ***Overview***

As of May 31, 2016, the Company had \$88,502 in cash and a deficit in working capital of \$400,882. We do not have sufficient resources to effectuate our business. We expect to incur a minimum of \$1,000,000 in expenses during the next twelve months of operations. We estimate that these expenses will be comprised primarily of general expenses including overhead, legal and accounting fees, research and development expenses, and fees payable to outside medical centers for clinical studies.

### **Liquidity and Capital Resources during the nine Months Ended May 31, 2016 compared to the nine Months ended May 31, 2015**

We used net cash in operations of \$50,727 for the nine months ended May 31, 2016 compared to net cash used in operations of \$151,077 for the nine months ended May 31, 2015. The negative cash flow from operating activities for the nine months ended May 31, 2016 is primarily attributable to the Company's net loss from operations of \$238,660, offset by depreciation of \$1,245, stock issued for services of \$19,850, deferred revenues of \$50,000, which the company received for a potential licensing agreement and increase of \$96,257 in account payables and accrued liabilities. Cash used in operations for the nine months ended May 31, 2015 is primarily attributable to the Company's net loss from operations of \$336,467 offset by stock issued for services of \$45,500 and increased liability to a related party of \$135,684 .

Cash used in investing activities for the nine months ended May 31, 2015 was \$3,711, consisting of the acquisition of equipment. We did not use any cash in any investing activities during the nine months ended May 31, 2016.

Cash generated in our financing activities was \$114,000 consisting of the sale of common stock and proceeds from a promissory note for the nine months ended May 31, 2016, compared to 78,333 \$ cash generated from the sale of common stock during the comparable period in 2015.

We will have to raise funds to pay for our expenses. We may have to borrow money from shareholders or issue debt or equity or enter into a strategic arrangement with a third party. There can be no assurance that additional capital will be available to us. We currently have no arrangements or understandings with any person to obtain funds through bank loans, lines of credit or any other sources. Since we have no such arrangements or plans currently in effect, our inability to raise funds for our operations will have a severe negative impact on our ability to remain a viable company.

### **Going Concern**

Due to the uncertainty of our ability to meet our current operating and capital expenses, our independent auditors included an explanatory paragraph in their report on the audited financial statements for the year ended May 31, 2016 regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

Our unaudited financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. Our ability to continue as a going concern is dependent upon our ability to generate profitable operations in the future and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they become due. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that we will be able to continue as a going concern. Our unaudited financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern.

There is no assurance that our operations will be profitable. Our continued existence and plans for future growth depend on our ability to obtain the additional capital necessary to operate either through the generation of revenue or the issuance of additional debt or equity.

### **Off-Balance Sheet Arrangements**

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experiences and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions and conditions. We continue to monitor significant estimates made during the preparation of our financial statements. On an ongoing basis, we evaluate estimates and assumptions based upon historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2, "Summary of Significant Accounting Policies" in our audited consolidated financial statements for the year ended August 31, 2015, included in our Annual Report on Form 10-K as filed on January 7, 2016, for a discussion of our critical accounting policies and estimates.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The disclosure required under this item is not required to be reported by smaller reporting companies; as such term is defined by Item 503(e) of Regulation S-K.

## **Item 4. Controls and Procedures.**

### *(a) Evaluation of Disclosure Controls and Procedures*

In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by the Company's management, with the participation of the principal executive officer and the principal financial officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of February 28, 2015. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

Based on that evaluation, the Company's management concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were not effective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Commission's rules and forms, and that such information was accumulated and communicated to management, including the principal executive officer and the principal financial officer, to allow timely decisions regarding required disclosures.

### *(b) Changes in Internal Control over Financial Reporting*

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

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company, threatened against or affecting our company or our common stock in which an adverse decision could have a material adverse effect.

### Item 1A. Risk Factors

The disclosure required under this item is not required to be reported by smaller reporting companies; as such term is defined by Item 503(e) of Regulation S-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information.

None.

### Item 6. Exhibits

<b>Exhibit 31.1</b>	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)). *
<b>Exhibit 31.2</b>	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)). *
<b>Exhibit 32.1</b>	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
<b>Exhibit 32.2</b>	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document **
101.SCH	XBRL Taxonomy Extension Schema Document **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document **
101.LAB	XBRL Taxonomy Extension Label Linkbase Document **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document **

\* Filed herewith.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 12<sup>th</sup>, 2016

By: /s/ Itamar Borochoy  
Itamar Borochoy, Director  
Chief Executive Officer

By: /s/ Dr. Eyal Ballan  
Dr. Eyal Ballan, Director, Chief Technical Officer

By: /s/ Dov Weinberg  
Dov Weinberg, Chief Financial Officer



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Itamar Borochoy, certify that:

1. I have reviewed this Form 10-Q of CANNABICS PHARMACEUTICALS INC.;
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 present in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-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 caused 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. I have disclosed, based on our most recent evaluation of 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 12<sup>th</sup>, 2016

By: /s/Itamar Borochoy

Itamar Borochoy  
Director, Chief Executive Officer  
CANNABICS PHARMACEUTICALS INC.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Dov Weinberg, certify that:

1. I have reviewed this Form 10-Q of CANNABICS PHARMACEUTICALS INC.;
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 present in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-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 caused 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. I have disclosed, based on our most recent evaluation of 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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 12<sup>th</sup>, 2016

By: /s/ Dov Weinberg

Dov Weinberg  
Chief Financial Officer  
CANNABICS PHARMACEUTICALS INC.

**CERTIFICATION OF  
PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of CANNABICS PHARMACEUTICALS INC. (the "Company") on Form 10-Q for the quarter ending May 31<sup>st</sup>, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Itamar Borochoy, Director and Chief Executive Officer (Principal Executive Officer) of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1. Such Quarterly Report on Form 10-Q for the quarter ending May 31<sup>st</sup>, 2016, 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 such Quarterly Report on Form 10-Q for the quarter ending May 31<sup>st</sup>, 2016, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 12<sup>th</sup>, 2016

By: /s/Itamar Borochoy

Itamar Borochoy  
Director, Chief Executive Officer  
CANNABICS PHARMACEUTICALS INC.

**CERTIFICATION OF  
PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of CANNABICS PHARMACEUTICALS INC. (the "Company") on Form 10-Q for the quarter ending May 31<sup>st</sup>, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Dov Weinberg, Chief Financial Officer (Principal Financial Officer) of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1. Such Quarterly Report on Form 10-Q for the quarter ending May 31<sup>st</sup>, 2016, 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 such Quarterly Report on Form 10-Q for the quarter ending May 31<sup>st</sup>, 2016, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 12<sup>th</sup>, 2016

By: */s/ Dov Weinberg*

\_\_\_\_\_  
Dov Weinberg  
Chief Financial Officer  
CANNABICS PHARMACEUTICALS INC.