

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2018

or

o 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: **000-53571**

Cannabis Sativa, Inc.

(Exact name of registrant as specified in its charter)

NEVADA
(State or Other Jurisdiction
of Incorporation)

20-1898270
(I.R.S. Employer
Identification No.)

1646 W. Pioneer Blvd., Suite 120, Mesquite, Nevada 89027
(Address of Principal Executive Office) (Zip Code)

(702) 346-3906
(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 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 ☐
Non-accelerated filer ☐
Emerging growth company ☐

Accelerated filer ☐
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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

The number of shares of the issuer's Common Stock outstanding as of August 14, 2018, is 21,168,942.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CANNABIS SATIVA, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited June 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash	\$ 122,082	\$ 175,857
Digital Currency	30,169	230,169
Accounts Receivable	7,468	3,813
Prepaid Consulting and Other Current Assets	72,918	1,083,769
Inventories	8,527	8,511
Total Current Assets	241,164	1,502,119
Property and Equipment, Net	9,482	10,600
Intangible Assets, Net	2,573,580	2,853,059
Investments	208,938	-
Goodwill	3,346,869	3,346,869
Total Assets	\$ 6,380,033	\$ 7,712,647
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 229,661	\$ 108,153
Stock Payable	1,025,199	767,603
Due to Related Parties	793,390	623,093
Total Current Liabilities	2,048,250	1,498,849
Stockholders' Equity:		
Preferred stock \$0.001 par value; 5,000,000 shares authorized; 732,018 issued and outstanding	732	732
Common stock \$0.001 par value; 45,000,000 shares authorized; 20,871,415 and 20,803,216 shares issued and outstanding, respectively	20,871	20,803
Additional Paid-In Capital	71,301,155	70,782,434
Accumulated Other Comprehensive Income	(11,022)	188,978
Accumulated Deficit	(68,832,008)	(66,790,415)
Total Cannabis Sativa, Inc. Stockholders' Equity	2,479,728	4,202,532
Non-Controlling Interest	1,852,055	2,011,266
Total Stockholders' Equity	4,331,783	6,213,798
Total Liabilities and Stockholders' Equity	\$ 6,380,033	\$ 7,712,647

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

**CANNABIS SATIVA,
INC.
CONDENSED CONSOLIDATED
STATEMENTS OF OPERATIONS
(UNAUDITED)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues	\$ 206,474	\$ 1,981	\$ 301,064	\$ 3,046
Cost of Revenues	67,552	2,878	114,065	3,977
Gross Profit (Loss)	138,922	(897)	186,999	(931)
Operating Expenses				
Professional fees	496,069	970,790	1,223,041	2,797,778
General and Administrative Expenses	735,823	938,674	1,364,762	1,119,020
Total Operating Expenses	1,231,892	1,909,464	2,587,803	3,916,798
Loss from Operations	(1,092,970)	(1,910,361)	(2,400,804)	(3,917,729)
Other (Income) and Expenses				
Change in Fair Value/Realized Gain of Digital Currency		(3,125)	(200,000)	19,887
Other Income	—	(18,620)	—	(18,620)
Loss On Debt Settlement	—	36,697	—	36,697
Interest Expense	—	11,880	—	11,880
Total Other Expense	—	26,832	(200,000)	49,844
Loss Before Income Taxes	(1,092,970)	(1,937,193)	(2,200,804)	(3,967,573)
Income Taxes	—	—	—	—
Net Loss for the Period	(1,092,970)	(1,937,193)	(2,200,804)	(3,967,573)
Loss Attributable to Non-Controlling Interest	(37,951)	(18,510)	(159,211)	(39,758)
Net Loss for the Period Attributable To Cannabis Sativa, Inc.	\$ (1,055,019)	\$ (1,918,683)	\$ (2,041,593)	\$ (3,927,815)
Net Loss for the Period per Common Share:				
Basic & Diluted	\$ (0.05)	\$ (0.10)	\$ (0.10)	\$ (0.20)
Weighted Average Common Shares Outstanding:				
Basic & Diluted	20,962,539	19,325,067	20,939,773	19,196,298

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

CANNABIS SATIVA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Six Months Ended June 30,	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss for the Period	\$ (2,200,804)	\$ (3,967,573)
Adjustments to Reconcile Net Loss for the Period to Net Cash Used in Operating Activities:		
Bad Debts	—	1,000
Change in Fair Value of Digital Currency	(200,000)	19,887
Depreciation and Amortization	281,229	181,431
Stock Issued and to be Issued for Services	1,551,158	2,893,757
Amortization of Stock Based Prepaids, Net	65,638	—
Imputed Interest on Loans	—	5,649
Changes in assets and liabilities:		
Accounts Receivable	(3,655)	(455)
Inventories	(16)	(9,438)
Prepaid Consulting and Other Current Assets	(36,496)	(3,504)
Accounts Payable and Accrued Expenses	121,504	1,390
Stock Payable	—	490,171
Net Cash Used in Operating Activities:	(421,442)	(387,685)
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(630)	—
Purchase of Intangibles	—	(150,000)
Advances to Related Parties	—	(742)
Net Cash Used In Investing Activities:	(630)	(150,742)
Cash Flows from Financing Activities:		
Cash Proceeds from Sale of Stock	—	415,136
Proceeds Received from Private Placement Memorandum/Warrant Exercises	198,000	356,100
Proceeds (Advances to) from Related Parties, Net	170,297	(49,086)
Net Cash Provided by Financing Activities:	368,297	722,150
NET CHANGE IN CASH	(53,775)	183,723
Cash - Beginning of Period	175,857	257,746
Cash - End of Period	\$ 122,082	\$ 441,469
Supplemental Disclosures of Non Cash Activities:		
Fair Value of Conversion of Amounts Due to Related Party and Accrued Interest	\$ —	\$ 104,469
Purchase of Investment with Digital Currency	\$ 200,000	\$ —
Common Stock Issued from Stock Payable	\$ 1,192,683	\$ 197,730
Fair Value of Shares Issued for Intangibles	\$ —	\$ 60,100
Rescinded Transaction & Elimination of Prepaid Expense	\$ 639,822	\$ —

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

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies

Nature of Corporation:

Ultra Sun Corp (the “Company,” “us”, “we” or “our”) was incorporated under the laws of Nevada in November 2004. On November 13, 2013, we changed our name to Cannabis Sativa, Inc. Our wholly-owned subsidiary Kush, Inc. (“Kush”) was acquired by us in June 2014 in exchange for shares of our common stock. Our wholly-owned subsidiary Wild Earth Naturals, Inc. (“Wild Earth”) was acquired by us in July 2013 in exchange for shares of our common stock. From our inception through September 30, 2013 we were engaged in the tanning salon business and operated a tanning salon in Saratoga Springs, Utah under the name “Sahara Sun Tanning.” As a result of our acquisition of Wild Earth in July 2013, we became engaged in the herbal skin care products business. On September 30, 2013, we sold the assets of the tanning salon business to a third party. As a result of our acquisition of Kush in June 2014, along with our Wild Earth operations we are now engaged in the developing and promoting of natural cannabis products. On November 2, 2015, Kush was spun off from the Company. On August 8, 2016 the Company entered into a securities purchase agreement with iBudtender Inc. to purchase 50.1% of iBudtender Inc. On August 1, 2017, the Company entered into a securities purchase agreement with PrestoCorp, Inc. (“PrestoCorp”) to purchase 51% of PrestoCorp.

Basis of Presentation:

The accompanying condensed consolidated balance sheet at December 31, 2017, has been derived from audited consolidated financial statements and the unaudited condensed consolidated financial statements as of June 30, 2018 and 2017, have been prepared in accordance with generally accepted accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements, and should be read in conjunction with the audited consolidated financial statements and related footnotes included in our Annual report on Form 10-K for the year ended December 31, 2017 (the “2017 Annual Report”), filed with the Securities and Exchange Commission (the “SEC”). It is management’s opinion, however, that all material adjustments (consisting of normal recurring adjustments), have been made which are necessary for a fair financial statements presentation. The condensed consolidated financial statements include all material adjustments (consisting of normal recurring accruals) necessary to make the condensed consolidated financial statements not misleading as required by Regulation S-X, Rule 10-01. Operating results for the three and six months ended June 30, 2018, are not necessarily indicative of the results of operations expected for the year ending December 31, 2018.

Principles of Consolidation:

The condensed consolidated financial statements include the accounts of Cannabis Sativa, Inc., and its wholly-owned subsidiaries; Wild Earth Naturals, Inc., Hi-Brands International, Inc., Eden Holdings LLC, our 50.1% ownership of iBudtender Inc. and our 51% ownership of PrestoCorp, (collectively referred to as the “Company”). All significant inter-company balances have been eliminated in consolidation.

Method of Accounting:

The Company maintains its books and prepares its consolidated financial statements on the accrual basis of accounting.

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

Use of Estimates:

The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such management estimates include the valuation of digital currency, valuation of intangible assets in connection with business combinations, recoverability of long-lived assets and goodwill, and the valuation of equity-based instruments. Actual results could differ from those estimates.

Liquidity

Our operations have been financed primarily through proceeds from notes payable, convertible notes payable, sale of common stock, warrants exercised for common stock and revenue generated from sales of our products. These funds have provided us with the resources to operate our business, sell and support our products, attract and retain key personnel and add new products to our portfolio. We have experienced net losses and negative cash flows from operations each year since our inception. As of June 30, 2018, we had an accumulated deficit of approximately \$69,000,000 and negative working capital.

We have raised funds through the issuance of debt and the sale of common stock. We have also issued equity instruments in certain circumstances to pay for services from vendors and consultants. During the six months ended June 30, 2018, approximately \$198,000 was raised in gross proceeds from the issuance of common stock from the exercise of warrants.

Segment Information:

We operate our business on the basis of a single reportable segment, which is the business of delivering products and services ancillary to the medical cannabis market. Our chief operating decision-maker is the Chief Executive Officer, who evaluates us as a single operating segment.

Accounts Receivable:

We estimate credit loss reserves for accounts receivable on an individual receivable basis. A specific impairment allowance reserve is established based on expected future cash flows and the financial condition of the debtor. We charge off customer balances in part or in full when it is more likely than not that we will not collect that amount of the balance due. We consider any balance unpaid after the contract payment period to be past due. At June 30, 2018 and December 31, 2017 the Company has established an allowance for doubtful accounts of \$-0- and \$1,246, respectively.

Inventory:

Inventory cost includes those costs directly attributable to the product before sale. Inventory consists of salves, ointments, lotions, creams and balms and is carried at the lower of cost or (net realizable value), using first-in, first-out method of determining cost. As of June 30, 2018, the Company had \$8,503 in raw materials and \$24 in finished goods inventory. At December 31, 2017 there was \$8,346 in raw materials and \$165 in finished goods inventory.

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

Fair Value of Financial Instruments:

The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts of accounts receivable, accounts payable, accrued liabilities, and notes payable approximate fair value given their short term nature or effective interest rates.

Net Loss per Share:

Net loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding for the period and contains no dilutive securities. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Potentially dilutive shares are excluded from the calculation of diluted net loss per share because the effect is anti-dilutive.

Revenue Recognition:

The Company recognizes revenue from product sales or services rendered when the following five revenue recognition criteria are met: identify the contract with the client, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to performance obligations in the contract and recognize revenues when or as the Company satisfies a performance obligation. For the three and six months ended June 30, 2018, approximately 95% of the revenue is from PrestoCorp operations.

Digital Currencies Translations and Re-measurements

The Company accounts for digital currencies, which it considers to be available for sale as opposed to trading, at their initial cost and subsequently re-measures the carrying amounts of digital currencies it owns at each reporting period based on their current fair value. The unrealized changes in the fair value of digital currencies are included as a component of other comprehensive income.

Intangible Assets:

Intangible assets are comprised of patents, trademarks, the Company's "CBDS.com" website domain and intellectual property rights. The patents are being amortized using the straight-line method over its economic life, which is estimated to be ten (10) years. The trademarks are being amortized between 5 and 10 years. The CBDS.com website is being amortized using the straight-line method over its economic life, which is estimated to be five (5) years. The intellectual property rights are being amortized using the straight-line method over its economic life, which are estimated to be between three (3) and five (5) years.

Long-Lived Assets:

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. We evaluate assets for potential impairment by comparing estimated future undiscounted net cash flows to the carrying amount of the assets. If the carrying amount of the assets exceeds the estimated future undiscounted cash flows, impairment is measured based on the difference between the carrying amount of the assets and fair value. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet, if material. During the three and six months ended June 30, 2018 we did not recognize any impairment of our long-lived assets.

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

Stock-Based Compensation:

Stock-based compensation is computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718. FASB ASC 718 requires all share-based payment to employees, including grants of employee stock options, to be recognized as compensation expense in the consolidated financial statements based on their fair values. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period). The Company has selected the Black-Scholes option pricing model as the most appropriate fair value method for our awards and have recognized compensation costs immediately as our awards are 100% vested.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of FASB ASC 505-50. The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. Stock-based compensation related to non-employees is accounted for based on the fair value of the related stock or options or the fair value of the services, whichever is more readily determinable in accordance with ASC 718.

Advertising Expense:

Advertising costs are expensed as incurred and are included in general and administrative expense in the accompanying consolidated statements of operations. Advertising costs were approximately \$2,500 and \$397,000 for the six months ended June 30, 2018 and 2017, respectively.

Business Combinations:

We account for business combinations by recognizing the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair values on the acquisition date. The final purchase price may be adjusted up to one year from the date of the acquisition. Identifying the fair value of the tangible and intangible assets and liabilities acquired requires the use of estimates by management and was based upon currently available data. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to future expected cash flows from product sales, support agreements, consulting contracts, other customer contracts, and acquired developed technologies and patents and discount rates utilized in valuation estimates.

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. Additionally, any change in the fair value of the acquisition-related contingent consideration subsequent to the acquisition date, including changes from events after the acquisition date, such as changes in our estimate of relevant revenue or other targets, will be recognized in earnings in the period of the estimated fair value change. A change in fair value of the acquisition-related contingent consideration or the occurrence of events that cause results to differ from our estimates or assumptions could have a material effect on the consolidated statements of operations, financial position and cash flows in the period of the change in the estimate.

Recent Accounting Pronouncements:

There have been no recent accounting pronouncements issued which are expected to have a material effect on the Company's consolidated financial statements. Management continues to monitor and review recently issued accounting guidance upon issuance.

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

Recent Accounting Pronouncements – continued:

On January 1, 2018, the Company adopted the new revenue recognition standard ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”, using the cumulative effect (modified retrospective) approach. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings at the date of initial application. No cumulative-effect adjustment in retained earnings was recorded as the adoption of ASU 2014-09 did not significantly impact the Company’s reported historical revenue. Revenue from substantially all of our contracts with customers continues to be recognized over time as services are rendered. The impact of the adoption of the new standard was not material to the Company’s condensed consolidated financial statements for the six months ended June 30, 2018. The Company expects the impact to be immaterial on an ongoing basis. The 2017 comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

The primary change under the new guidance is the requirement to report the allowance for uncollectible accounts as a reduction in net revenue as opposed to bad debt expense, a component of operating expenses. The Company has historically included the allowance for uncollectible accounts amounts with its allowance for contractual adjustments as a reduction in operating expenses. However most contracts are collected in full at time of delivery and the Company has immaterial account receivables and also related uncollectible accounts. Accordingly, the adoption of this guidance did not have an impact on our condensed consolidated financial statements, other than additional financial statement disclosures. The guidance requires increased disclosures, including qualitative and quantitative disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

At the adoption of Topic 606, the majority of what was previously classified as the provision for bad debts in the consolidated statements of income is now reflected as implicit price concessions and, therefore, included as a reduction to revenues in 2018. For changes in credit issues not assessed at the date of service, the Company will prospectively recognize those amounts in operating expenses on the consolidated statements of income.

The Company operates as one reportable segment.

The Company receives payments from individual clients. As the period between the time of service and time of payment is typically one day or less, the Company elected the practical expedient under ASC 606-10-32-18 and did not adjust for the effects of a significant financing component.

Under the new revenue standard, the Company has elected to apply the following practical expedients and optional exemptions:

- Recognize incremental costs of obtaining a contract with amortization periods of one year or less as expense when incurred. These costs are recorded within general and administrative expenses.
- Recognize revenue in the amount of consideration to which the Company has a right to invoice the customer if that amount corresponds directly with the value to the customer of the Company’s services completed to date.
- Exemptions from disclosing the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which revenue is recognized in the amount of consideration to which the Company has a right to invoice for services performed, and (iii) contracts for which variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation.
- No adjustment is made for the effects of a significant financing component as the period between the time of service and time of payment is typically one year or less.

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

Recent Accounting Pronouncements – continued:

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires lessees to recognize lease assets and lease liabilities on the consolidated balance sheet and requires expanded disclosures about leasing arrangements. We plan to adopt the standard on January 1, 2019. We are currently assessing the impact that the new standard will have on our consolidated financial statements, which will consist primarily of a balance sheet gross up of our operating leases to show equal and offsetting lease assets and lease liabilities.

In June 2018, the FASB issued **ASU 2018-07, Compensation - Stock Compensation (Topic 718)** to expand the scope of ASC 718, *Compensation - Stock Compensation (Topic 718)* (“ASU 2018-07”), to include share-based payment transactions for acquiring goods and services from nonemployees. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. We do not expect this ASU to have a significant impact on our condensed consolidated financial statements and related disclosures.

FASB ASU 2017-11 “*Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815)*” - In July 2017, the FASB issued 2017-11. The guidance eliminates the requirement to consider “down round” features when determining whether certain equity-linked financial instruments or embedded features are indexed to an entity’s own stock. Our warrants issued with our convertible notes are treated as derivative instruments, because they include a “down round” feature. The ASU is effective for annual periods beginning after December 15, 2018, and for interim periods within those years, with early adoption permitted. We do not expect this ASU to have a significant impact on our condensed consolidated financial statements and related disclosures.

2. Eden Holdings LLC

During the quarter ended September 30, 2014, the Company created Eden Holdings LLC, (the “LLC”). The purpose of the LLC is to hold the intellectual property of Cannabis Sativa, Inc. As of June 30, 2018 and December 31, 2017 there has been no activity in the LLC.

3. Fair Value Measurements

We adopted ASC Topic 820 for financial instruments measured at fair value on a recurring basis. ASC Topic 820 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States and expands disclosures about fair value measurements.

Fair value is defined as 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. ASC Topic 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts of accounts receivable, inventory, notes payable, accounts payable, accrued liabilities approximate fair value given their short term nature or effective interest rates. We measure certain financial instruments at fair value on a recurring basis.

4. Digital Currency

As of June 30, 2018 and December 31, 2017, assets measured at fair value on a recurring basis were as follows:

June 30, 2018 - Unaudited	Total	Level 1	Level 2	Level 3
Assets:				
Digital Currency	\$ 30,169	\$ -	\$ 30,169	\$ -
Total assets measured at fair value	<u>\$ 30,169</u>	<u>\$ -</u>	<u>\$ 30,169</u>	<u>\$ -</u>
December 31, 2017	Total	Level 1	Level 2	Level 3
Assets:				
Digital Currency	\$ 230,169	\$ -	\$ 230,169	\$ -
Total assets measured at fair value	<u>\$ 230,169</u>	<u>\$ -</u>	<u>\$ 230,169</u>	<u>\$ -</u>

The Company's digital currency consisted of the following at June 30, 2018 and December 31, 2017:

	Unaudited June 30, 2018	December 31, 2017
Weed Coin	\$ 14,365	\$ 214,365
Gary Coin	15,804	15,804
Total assets measured at fair value	<u>\$ 30,169</u>	<u>\$ 230,169</u>

During the six months ended June 30, 2018, the Company purchased 10,000,000 shares of common stock of Medical Cannabis Payment Solutions (ticker: REFG) in exchange for 1,000,000 units of Weed coins (valued at \$200,000).

CANNABIS SATIVA, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017

5. Fixed Assets

Property and equipment consisted of the following at June 30, 2018 and December 31, 2017:

	Unaudited June 30, 2018	December 31, 2017
Furniture and Equipment	\$ 18,055	\$ 17,425
Leasehold Improvements	2,500	2,500
	20,555	19,925
Less: Accumulated Depreciation	(11,073)	(9,325)
Net Property and Equipment	\$ 9,482	\$ 10,600

Depreciation expense for the six months ended June 30, 2018 and 2017 was \$1,748 and \$323, respectively.

6. Intangibles

Intangibles consisted of the following at June 30, 2018 and December 31, 2017:

	Unaudited June 30, 2018	December 31, 2017
CBDS.com website (Cannabis Sativa)	\$ 13,999	\$ 13,999
Intellectual Property Rights (Cannabis Sativa)	1,484,250	1,484,250
Intellectual Property Rights Vaporpenz (Cannabis Sativa)	210,100	210,100
Intellectual Property Rights (iBudtender)	330,000	330,000
Intellectual Property Rights (PrestoCorp)	240,000	240,000
Patents and Trademarks (Cannabis Sativa)	8,410	8,410
Patents and Trademarks (Wild Earth)	4,425	4,425
Patents and Trademarks (KPAL)	1,410,000	1,410,000
	3,701,184	3,701,184
Less: Accumulated Amortization	(1,127,604)	(848,125)
Net Intangible Assets	\$ 2,573,580	\$ 2,853,059

Amortization expense for the six months ended June 30, 2018 and 2017 was approximately \$279,479 and \$181,000, respectively.

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6. Intangibles- continued:

Amortization for each of the next 5 years approximates:

2019	\$	558,000
2020	\$	558,000
2021	\$	526,000
2022	\$	422,000
2023	\$	384,000

Goodwill consisted of the following at June 30, 2018 and December 31, 2017:

	Unaudited June 30, 2018	December 31, 2017
Beginning Balance	\$ 3,346,869	\$ 247,051
Acquisition PrestoCorp (1)	—	3,010,202
Adjustment to Valuation of iBudtender Acquisition	—	89,616
Ending Balance	\$ 3,346,869	\$ 3,346,869

7. Related Parties

The Company has received advances from related parties and officers of the Company to cover operating expenses. As of June 30, 2018 and December 31, 2017, net amounts due to the related parties were \$793,390 and \$623,093, respectively. During the six months ended June 30, 2018 and 2017, the Company has imputed interest on these advances at the rates between 5% and 8% per annum and has recorded interest expense related to these balances in the amount of \$-0- and \$11,880 respectively. Because the related parties do not expect the imputed interest to be repaid, the interest has been recorded as a contribution of capital.

At June 30, 2018 and December 31, 2017, the Company had a note payable to the founder of iBudtender of \$8,744 and \$55,667, respectively. This note is included in due to related parties on the condensed consolidated balance sheets. The note earns interest at 0% and is due on demand.

During the six months ended June 30, 2018 and 2017, the Company incurred approximately \$11,000 and \$21,000, respectively, for consulting services from a relative of the Company's president.

8. Stockholders' Equity

Preferred Stock

The Company authorized 5,000,000 shares of preferred stock. The Company designated and determined the rights of Series A preferred stock ("Series A") with a par value of \$0.001. The Company is authorized to issue 5,000,000 shares of Series A. The holders of Series A are entitled to dividends if the Company declares a dividend on common shares, have no liquidation preference, have voting rights equal to 1 vote per share, and can be converted into one share of common.

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8. Stockholders' Equity- continued

Common Stock

During the year ended December 31, 2017, a related party purchased 80,000 shares common stock for approximately \$415,000 in cash.

During the year ended December 31, 2017, a related party convertible note payable was repaid in the amount of \$100,000 plus approximately \$5,000 in interest with the issuance of 43,169 shares of common stock, per the terms of the note agreement.

During the year ended December 31, 2017, the Company paid \$150,000 and issued 10,000 shares of common stock to purchase intellectual property. The total investment was valued at \$210,100 of which the 10,000 shares of common stock issued was valued at \$60,100. The Company has recorded the intellectual property rights in intangible assets in the accompanying consolidated balance sheet.

During the year ended December 31, 2017, the Company issued 564,943 shares of common stock to purchase a controlling interest in PrestoCorp. The total investment was valued at \$2,332,649. The Company has recorded the intellectual property rights in intangible assets in the accompanying consolidated balance sheet. See Note 9.

During the year ended December 31, 2017 the board of directors approved the issuance of 1,229,308 shares of common stock for services in the amount of approximately \$5,500,000. Approximately \$1,600,000 was recorded as prepaid consulting due to the non-forfeitable nature of the shares issued. During the year ended December 31, 2017, the Company amortized approximately \$555,000 of such prepaid amount to consulting fees in the accompanying consolidated statement of operations. The fair value of the shares issued was based on the market price of the Company's common stock on the measurement date.

As of December 31, 2017, the Company had outstanding warrants to purchase 230,775 shares of the Company's common stock. The exercise price of the warrants was \$2.00 per share. All warrants are exercisable and expire on January 31, 2020.

During the six months ended June 30, 2018, the board of directors approved the issuance of 350,625 shares of common stock for services in the amount of approximately \$1,551,158, net. The fair values of the shares issued was based on the market price of the Company's common stock on the respective measurement dates.

During the six months ended June 30, 2018, 99,000 shares common stock were issued in connection with the exercise of warrants for approximately \$198,000 in cash. At June 30, 2018 a total of 131,775 warrants remain outstanding.

During the six months ended June 30, 2018, 332,447 shares common stock were returned in connection with a previous issuance of stock for services due to the non performance of the vendor. The total value of the transaction in the amount of \$990,692 was reversed with \$103,197 reported as income in the statement of operations reducing general and administrative income since the vendor never performed and this amount represented the amount that was expensed in the prior period.

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9. Purchase of PrestoCorp

Effective August 1, 2017, the Company purchased 51% voting interest in PrestoCorp. The Company can issue PrestoCorp up to 1,027,169 shares of common stock valued at approximately \$3,500,000 on the closing date of the transaction. In exchange, PrestoCorp issued 2,550 shares of its common stock to the Company. The purchase price includes an earn-out based on future performance of PrestoCorp if certain revenue and income milestones are achieved, which under ASC 805 are considered compensatory in nature and have been excluded from the purchase price allocation below.

The following summarizes the transaction with PrestoCorp at closing on August 1, 2017:

Cash	\$	8,713
Prepaid Assets		8,565
Property & Equipment, Net		8,702
Intellectual Property		810,000
Goodwill		3,519,202
Total Assets	\$	4,355,182
Accounts Payable & Accrued Expenses		(20,507)
Fair value of NCI		(1,996,000)
Due to – Related Parties		(5,473)
Net Purchase (fair value of common stock issued)	\$	2,333,202

In determining the fair value of the intangible assets, the Company considered, among other factors, the best use of acquired assets such as a business to consumer web portal and application, analyses of historical financial performance of the services and estimates of future performance of the products and intellectual properties acquired. The fair values of the identified intangible assets related to Intellectual Property and Goodwill and the Company has preliminarily recorded the purchase price of the identified intangible assets and is amortizing such assets over their estimated useful lives ranging from 3-5 years.

The goodwill of \$3,010,000 (net of impairment of \$509,000) arising from the purchase of PrestoCorp is derived largely from the rapid expected growth of the Company, as well as synergies and economies of scale expected from combining the operations of the Company and PrestoCorp. None of the goodwill recognized is expected to be deductible for income tax purposes. The fair value of the non-controlling interest is based on the estimated fair value, net of discounts for lack of marketability and control. The establishment of the allocation to goodwill and identifiable intangible assets requires the extensive use of accounting estimates and management judgment. The fair values assigned to the assets acquired are based on estimates and assumptions from data currently available.

The following approximate unaudited supplemental pro forma information for the six months ended June 30, 2017 assumes the acquisition of PrestoCorp had occurred as of January 1, 2017 giving effect to purchase accounting adjustments such as amortization of intangible assets. The pro forma data is for informational purposes only and may not necessarily reflect the actual results of operations had the assets of PrestoCorp been operating as part of the Company since January 1, 2017 and 2016.

	June 30, 2017
Revenues	\$ 492,000
Expenses	(7,100,000)
Net Loss for the Period	\$ (6,608,000)

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11. Purchase of PrestoCorp - continued

The following table sets forth the components of identified intangible assets associated with the acquisition.

	Fair Value at Acquisition
Technology: Website & App	\$ 520,000
Marketing related	260,000
Customer base	30,000
	<u>\$ 810,000</u>

Subsequent to acquisition, the Company realized an impairment expense related to the PrestoCorp intangible assets of approximately \$472,000 due to the greater-than-expected impact from recreational cannabis legalization in CA and NV, as well as longer cycle times to open new markets.

10. Going Concern Considerations

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying condensed consolidated financial statements, the Company has negative working capital, has incurred operating losses since inception, and has not yet produced significant continuing revenues from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that the Company cannot continue as a going concern. Management anticipates that it will be able to raise additional working capital through the issuance of stock and through additional loans from investors.

The ability of the Company to continue as a going concern is dependent on its ability to raise adequate capital to fund operating losses until it is able to engage in profitable business operations. To the extent financing is not available, the Company may not be able to, or may be delayed in, developing its services and meeting its obligations. The Company will continue to evaluate its projected expenditures relative to its available cash and to evaluate additional means of financing in order to satisfy its working capital and other cash requirements. The accompanying condensed consolidated financial statements do not reflect any adjustments that might result from the outcome of these uncertainties.

11. Commitments and Contingencies

Lease

The Company leases an office and warehouse facility in Mesquite, Nevada that serves as the principal executive offices and provides manufacturing and warehouse space. On March 1, 2017, a new lease agreement was signed at a monthly rate of \$1,392. Lease term is for 12 (twelve) months with a renewal option available for an additional 12 (twelve) months. Rent expense for the six months ended June 30, 2018 and 2017 was approximately \$8,300 and \$7,000. PrestoCorp leases office space in San Francisco at \$2,800 per month, \$800 per month for a New York office, and pays \$1,500 per month for office facilities in Las Vegas, NV.

Litigation

In the ordinary course of business, we may face various claims brought by third parties and we may, from time to time, make claims or take legal actions to assert our rights, including intellectual property disputes, contractual disputes and other commercial disputes. Any of these claims could subject us to litigation. Management believes the outcomes of currently pending claims are not likely to have a material effect on our consolidated financial position and results of operations.

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11. Commitments and Contingencies- continued

Stock Payable

As of June 30, 2018 and December 31, 2017 the Company recorded approximately \$1,025,199 and \$768,000, respectively, of stock payable related to common stock to be issued. The following summary approximates the activity of stock payable during the six months ended June 30, 2018:

Beginning Balance – January 1, 2018	\$ 767,603
Additions	1,449,882
Issuances	(1,192,286)
Ending Balance – June 30, 2018	\$ 1,025,199

In connection with the one year anniversary of PrestoCorp acquisition, included in stock payable is approximately \$541,000 due to PrestoCorp as per their original purchase agreement which stated that “In the event that the 30-day average price per share of the CBDS common stock is less than the Closing Price Per Share on the first anniversary of Closing, CBDS shall promptly issue to the Sellers contingent value right shares equal to the difference between Closing Price Per Share and the 30-day average price per share of CBDS common stock immediately prior to such date, multiplied by the number of Initial Shares.” The Company has accrued approximately \$541,000 as of June 30, 2018 for this liability to the sellers. The value of these shares has been expensed as compensation during the three months ended June 30, 2018.

Indemnities

The Company’s Articles of Incorporation and bylaws require us, among other things, to indemnify the director or officer against specified expenses and liabilities, such as attorneys’ fees, judgments, fines and settlements, paid by the individual in connection with any action, suit or proceeding arising out of the individual’s status or service as our director or officer, other than liabilities arising from willful misconduct or conduct that is knowingly fraudulent or deliberately dishonest, and to advance expenses incurred by the individual in connection with any proceeding against the individual with respect to which the individual may be entitled to indemnification by us. We also indemnify our lessor in connection with our facility lease for certain claims arising from the use of the facilities. These indemnities do not provide for any limitation of the maximum potential future payments we could be obligated to make. Historically, we have not incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities in the accompanying condensed consolidated balance sheets.

12. Subsequent Events

In July 2018, the Company issued 143,429 shares of common stock to consultants and officers for services rendered during the six months ended June 30, 2018 as part of the agreement noted below.

On July 15, 2018 the original agreement with iBudtender was amended. The following items were amended: 50,000 shares of common stock due to iBudtender from the Company were cancelled, iBudtender is to return 70,000 shares of common stock previously given to them by the Company and maturity of prior loan given to iBudtender in the amount of \$105,000 will be extended one (1) year to August 2019 with interest payable at 5%. With completion of various milestones of various work product the Company will issue to shares to Chris Cope as consultant, with 25,000 shares issued at signing of the amended agreement.

We have evaluated subsequent events through the filing of this Form 10-Q and determined that no subsequent events have occurred that would require recognition in the condensed consolidated financial statements or disclosures in the notes thereto, other than as disclosed above.

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

Certain statements in this Report constitute "forward-looking statements." Such forward-looking statements involve known and unknown 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 such forward-looking statements. Factors that might cause such a difference include, among others, uncertainties relating to general economic and business conditions; industry trends; changes in demand for our products and services; uncertainties relating to customer plans and commitments and the timing of orders received from customers; announcements or changes in our pricing policies or that of our competitors; unanticipated delays in the development, market acceptance or installation of our products and services; changes in government regulations; availability of management and other key personnel; availability, terms and deployment of capital; relationships with third-party equipment suppliers; and worldwide political stability and economic growth. The words "believe," "expect," "anticipate," "intend" and "plan" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

Business Plan

We are engaged in the research, development, acquisition and licensing of specialized natural cannabis related products, including cannabis formulas, edibles, topicals, strains, recipes and delivery systems. We also are engaged in marketing and branding within the cannabis space, including with our trademark pending "hi" brand and others. We hold a license for a proprietary cannabis lozenge delivery methodology, and a proprietary cannabis trauma cream formula. We have recently been awarded a U.S. patent for a strain of cannabis plant named Ecuadorian Sativa (also referred to as CTS-A or CTA). We also have U.S. patents pending on cannabis based compositions and methods of treating hypertension and a lozenge delivery system. We plan to license our intellectual property, including patents, branding and know-how to companies licensed under, and in full compliance with, state regulations applicable to cannabis businesses. In addition, through its 51% owned subsidiary PrestoCorp, the Company operates an online telemedicine service that allows patients to use secure and confidential video conference technology to speak with a licensed physician for a medical marijuana evaluation.

The Company continues to execute on its business plan. Overhead expenses have been reduced significantly and further declines are expected. Management is focused on identifying opportunities for growth through acquisitions, as well as continued development of its existing brands, products, and businesses.

Management believes the current political and legal climate is favorable for the development of "plant-touching" businesses for its portfolio and is actively pursuing such opportunities.

The PrestoDoctor subsidiary currently has operations in Pennsylvania, New York, Nevada, and California and is targeting additional states as the related legal issues are clarified. Presto management is developing new products to augment its footprint in the health arena and leverage its telemedicine platform.

Results of Operations

Three Months Ended June 30, 2018, compared with the Three Months Ended June 30, 2017

Revenue for the three month periods ended June 30, 2018 and 2017 was \$206,474 and \$1,981, respectively. Cost of revenues for the three month periods ended June 30, 2018 and 2017 was \$67,552 and \$2,878, respectively. Gross profit (loss) for the three month periods ended June 30, 2018 and 2017 was \$138,922 and \$(897), respectively. The increase in each of the numbers for 2018 is primarily a result of the acquisition of a 51% interest in PrestoCorp as of August 1, 2017, and the impact of the business operations of PrestoCorp on the business operations of the Company.

Net loss for the three month period ended June 30, 2018 was \$1,092,970 compared to net loss of \$1,937,193 for the three month period ended June 30, 2017. The decrease resulted primarily from an increase in gross profit and from a decrease in professional fees.

Total operating expenses were \$1,231,892 for the three month period ended June 30, 2018 and \$1,909,464 for the three month period ended June 30, 2017, resulting in a decrease in total operating expenses of \$677,572. Of that amount, \$474,721 was attributable to a decrease in professional fees and \$202,851 was attributable to a decrease in general and administrative expenses of which approximately \$103,000 was due to the returned shares due to non-performance of a vendor. These decreases came about as a result of better cost management by the Company and by making payments in stock in amounts tied to share value rather than number of shares.

Six Months Ended June 30, 2018, compared with the Six Months Ended June 30, 2017

Revenue for the six month periods ended June 30, 2018 and 2017 was \$301,064 and \$3,046, respectively. Cost of revenues for the six month periods ended June 30, 2018 and 2017 was \$114,065 and \$3,977, respectively. Gross profit (loss) for the six month periods ended June 30, 2018 and 2017 was \$186,999 and \$(931), respectively. As was the case for the three month period ended June 30, 2018, the increase in each of the numbers for 2018 is primarily a result of the acquisition of a 51% interest in PrestoCorp as of August 1, 2017, and the impact of the business operations of PrestoCorp on the business operations of the Company.

Total operating expenses were \$2,587,803 for the six month period ended June 30, 2018 and \$3,916,798 for the six month period ended June 30, 2017. For the six month period ended June 30, 2018, \$1,293,563 of the expenses was paid using the Company's common stock and therefore required no cash. For the six month period ended June 30, 2017, \$2,893,757 of the expenses was paid using common stock. Despite the large net loss amounts for both six month periods, because of non-cash transactions, the net cash used in operating activities was \$421,442 for the six month period ended June 30, 2018 and \$387,685 for the six month period ended June 30, 2017.

Net loss for the six month period ended June 30, 2018 was \$2,200,804 compared to net loss of \$3,967,573 for the six month period ended June 30, 2017. As was the case for the three month periods ended June 30, 2018 and 2017, the decreases in net loss resulted primarily from an increase in gross profit and from a decrease in professional fees.

Liquidity and Capital Resources

As stated above, our operations used \$421,442 in cash for the six month period ended June 30, 2018. During the same period, financing activities provided cash of \$368,297. Cash provided by financing activities during the period came from cash proceeds from the sale of stock of warrants exercised in the amount of \$198,000 and advances from related parties net of repayments of \$170,297.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As stated above, we incurred a net loss of \$2,200,804 and \$3,967,573, respectively for the six months ended June 30, 2018, and 2017, and had an accumulated deficit of approximately \$69,000,000 as of June 30, 2018. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company may seek to raise money for working capital purposes through a public offering of its equity capital or through a private placement of equity capital or convertible debt. The Company has outstanding a total of 131,775 warrants which expire on January 31, 2020. Each warrant is for the purchase of one share of common stock of the Company at the exercise price of \$2.00 per share. It will be important for the Company to be successful in its efforts to raise capital in this manner if it is going to be able to further its business plan in an aggressive manner. Raising capital in this manner will cause dilution to current shareholders.

As of August 14, 2018, the Company had cash on hand of approximately \$37,000. As a result, the Company has sufficient liquidity to meet the needs of our current operations for approximately four (4) weeks.

Off Balance Sheet Arrangements

None

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management including our chief executive officer and our chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this report. Based upon that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure. A discussion of the material weaknesses in our controls and procedures is described below.

Based on its evaluation, our management concluded that there are material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Management identified the following material weaknesses:

- We have not performed a risk assessment and mapped our processes to control objectives;
- We have not implemented comprehensive entity-level internal controls;
- We have not implemented adequate system and manual controls;
- We did not employ an adequate number of people to ensure a control environment that would allow for the accurate and timely reporting of the financial statements in accordance with GAAP; and
- We do not have sufficient segregation of duties.

Based on our evaluation under the frameworks described above, our management has concluded that our internal

control over financial reporting was not effective as of June 30, 2018. However, moving forward with the intended addition of additional staff, we believe our current framework will help remedy our material weaknesses.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any material legal proceedings and, to the best of our knowledge, no such legal proceedings have been threatened against us.

Item 1A. Risk Factors

Not required.

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

During the three months ended June 30, 2018, the Company issued a total of 139,289 restricted common shares to a total of 4 persons in exchange for services rendered to the Company. The fair value of the shares issued was based on the market price of the Company's common stock on the measurement date after including an approximate 30% discount to the market price. Each of the issuances of stock was exempt from the registration requirements of Section 5 of the Securities Act of 1933 pursuant to Section 4(2) of the Act since the issuance of the shares did not involve any public offering.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following documents are included as exhibits to this report:

(a) Exhibits

Exhibit Number	SEC Reference Number	Title of Document
3.1(1)	3	Articles of Incorporation
3.2(1)	3	Bylaws
31.1	31	Section 302 Certification of Principal Executive Officer
31.2	31	Section 302 Certification of Principal Financial Officer
32.1	32	Section 1350 Certification of Principal Executive Officer
32.2	32	Section 1350 Certification of Principal Financial Officer
101.INS(2)		XBRL Instance Document
101.SCH(2)		XBRL Taxonomy Extension Schema
101.CAL(2)		XBRL Taxonomy Extension Calculation Linkbase
101.DEF(2)		XBRL Taxonomy Extension Definition Linkbase
101.LAB(2)		XBRL Taxonomy Extension Label Linkbase
101.PRE(2)		XBRL Taxonomy Extension Presentation Linkbase

(1) Incorporated by reference to Exhibits 3.01 and 3.02 of the Company's Registration Statement on Form 10 filed January 28, 2009.

(2) XBRL information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document. These exhibits will be attached to Amendment No. 1 of this 10-Q for the quarter ended June 30, 2018, which will be filed subsequent to the current filing.

SIGNATURES

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

Cannabis Sativa, Inc.

Date: August 14, 2018

By: /s/ Mike Gravel

Mike Gravel, Chief Executive Officer
(Principal Executive Officer)

By: /s/ Donald J. Lundbom

Donald J. Lundbom, Chief Financial Officer
(Principal Financial Officer)