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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended March 31, 2017

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: 000-55462

GB SCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other Jurisdiction of
Incorporation or Organization)

59-3733133

(IRS Employer I.D. No.)

**3550 W. Teco Avenue
Las Vegas, Nevada 89118
Phone: (866) 721-0297**

(Address and telephone number of
principal executive offices)

Securities registered under Section 12 (b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock \$.0001 Par Value
Title of Class

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 ☐

Smaller reporting company ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter, that being September 30, 2016, was approximately \$36 million.

The shares outstanding on July 7, 2017 were 127,667,908.

Documents Incorporated by Reference

None

GB SCIENCES, INC.
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PART I

DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K of GB Sciences, Inc., a Delaware corporation and its subsidiaries (the “Company”), contains “forward-looking statements,” as defined in the United States Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “should”, “could”, “expects”, “plans”, “intends”, “anticipates”, believes”, “estimates”, “predicts” or “continue”, which list is not meant to be all-inclusive and other such negative terms and comparable technology. These forward-looking statements, include, without limitation, statements about market opportunity, strategies, competition, expected activities and expenditures as we pursue business our plan, and the adequacy of available cash reserves. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Actual results may differ materially from the predictions discussed in these forward-looking statements. The economic environment within which we operate could materially affect actual results. Additional factors that could materially affect these forward-looking statements and/or predictions include among other things: (i) product demand, market and customer acceptance of any or all of the Company’s products, equipment and other goods, (ii) ability to obtain financing to expand its operations, (iii) ability to attract qualified personnel, (iv) competition pricing and development difficulties, (v) ability to increase cultivation production, (vi) the timing and extent of changes in prices for medical cannabis, (vii) agricultural risks of growing and harvesting medical cannabis, (viii) the availability of equipment, such as extraction equipment, (ix) the adequacy of capital reserves and liquidity including, but not limited to, access to additional borrowing capacity, (x) and general industry and market conditions and growth rates, unexpected natural disasters, and other factors, which we have little or no control: and any other factors discussed in the Company’s filings with the Securities and Exchange Commission (“SEC”).

Any forward-looking statements are based on information available to us today and we undertake no obligation to publicly update any forward-looking statements, whether as a result of future events, new information or otherwise.

ITEM 1. DESCRIPTION OF BUSINESS

Unless the context indicates otherwise, all references to “GB” and “GB Sciences” refers solely to GB Sciences, Inc., a Delaware corporation, and all references to “the Company,” “we”, “us” or “our” in this Annual Report refers to GB Sciences and its consolidated subsidiaries.

Overview

The Company seeks to be an innovative technology and solution company that converts the cannabis plant into medicines, therapies and treatments for a variety of ailments. The Company is developing and utilizing state of the art technologies in plant biology, cultivation and extraction techniques, combined with biotechnology, and plans to produce consistent and measurable medical-grade cannabis, cannabis concentrates and cannabinoid therapies. Although we believe that maximum shareholder value will ultimately be achieved through the development, production and marketing of certified cannabinoid medicines, therapies and treatments, in order to generate cash flow and near-term profitability, we intend to cultivate and dispense cannabis for medical purposes in both Nevada and other states which permit such sales and in which we and our operating partners are able to obtain cultivation and dispensing licenses.

We seek to become a trusted producer of consistent and efficacious medicinal strains and products, combining both cannabinoids and terpenes, which we intend to market in those states within the United States and in other countries where the sale of medical cannabis products are permitted. In addition, subject to obtaining Food and Drug Administrative (FDA) certification, we intend to market our cannabinoid based drug discoveries on a world-wide basis.

We were incorporated in the State of Delaware on April 4, 2001, under the name “Flagstick Venture, Inc.” On March 28, 2008, stockholders owning a majority of our outstanding common stock approved changing our then name “Signature Exploration and Production Corp.” as our business model had changed.

On March 13, 2014, we entered into a definitive assets purchase agreement for the acquisition of assets, including the Growblox™ cultivation technology which resulted in a change in our corporate name on April 4, 2014, from Signature Exploration and Production Corporation to Growblox Sciences, Inc.

Effective December 12, 2016, the Company amended its Certificate of Corporation pursuant to shareholder approval as reported in the Form 8-K filed on October 14, 2016. Pursuant to the amendment the Company's name was changed from Growblox Sciences, Inc. to GB Sciences, Inc.

The Company is cultivating cannabis using innovative, but conventional methods in its wholly owned subsidiary, GB Sciences Nevada, LLC ("GBSN"). On January 4, 2017, GBSN received a State Registration Certificate ("Certificate") for its 28,000-sq. ft. cannabis cultivation facility located in Las Vegas, NV. The receipt of the Certificate allows the Company to cultivate medical cannabis. Phase 1 of the GBSN cultivation facility opened with 200 grow lights. When all phases of construction are completed, the facility is expected to generate revenues approximately of \$10 million. Completion of all Phases of this facility is dependent upon the availability of capital to complete construction. The Company has made completion of all Phases of this facility its number one priority.

On October 4, 2016, we acquired a 60% interest in a Nevada Medical Marijuana Production License with an option of up to 80%. A production license enables us to convert cannabis plants into oils and extracts that are suitable for creating medical compounds as well as consumer products. This license is critical and essential to our plan of producing cannabis-based medicines, and must be integrated into our cultivation facility to ensure quality control standards and efficiency in our production of cannabis medicines.

On March 31, 2017, we entered into an agreement with Arizona-based company, Kush Cups, to produce cannabis-infused products in the state of Nevada. Cannabis for production will be grown in our Cultivation Labs facility in Las Vegas, NV. We will distribute cannabis-infused Keurig-compatible K-Cups, hot and cold brew coffees as well as infused teas.

We expect our products to compete well in the marketplace because of the considerable efforts we have made in the plant genetics and tissue culturing of our proprietary strains of cannabis. And, we are the exclusive Nevada grower of Kyle Kushman's proprietary marijuana strains which have been highly rated top sellers in California.

Our Business Strategy

GB Sciences intends to operate as an intellectual property company that will conduct its business through its subsidiaries. GB Sciences intends to own all patents and related technologies developed by it and its subsidiaries. In addition, the Company owns and will seek to own majority interests in each of its existing and future operating subsidiaries.

Although we believe that maximum shareholder value will ultimately be achieved through the development, production and marketing of certified cannabinoid medicines, therapies and treatments, in order to generate cash flow and near-term profitability we intend to cultivate and dispense cannabis for medical purposes in both Nevada and other states which permit such sales and in which we and our operating partners are able to obtain cultivation and dispensing licenses.

The completion of pre-clinical and clinical trials and FDA-approvals for a pharmaceutical product is traditionally a long and expensive process. However, we believe that strategic partnering and aggressive licensing of these products

at early clinical stages can mitigate some of the risks. If we are able to obtain “orphan drug” or “breakthrough drug” fast track status, this would be very helpful in shortening the process; as is the use of the new adaptive design clinical trial strategy. In order to achieve the strategic goals for our Science division, we intend to enter into partnerships or joint ventures with respected, independent contract research organizations, medical schools and other researchers. To this end, in December 2014, we signed a letter of intent with NRC Research Institute, a respected contract research organization in California. It is contemplated that NRC will focus on designing Phase I/II studies in parallel to simultaneously evaluate safety and efficacy of therapeutics.

If we achieve successful outcomes of product prototypes and meet all of our intermediate clinical trial goals, we will seek to proceed with testing using the adaptive design clinical trial strategy that allows us to proceed more quickly through all three human trial phases in a single series. We would then apply for FDA approval. If and when one or more of our drugs, therapies or treatments are approved by the FDA, we will seek to market them either through our Products division or under joint ventures or licensing arrangements with major pharmaceutical companies.

There can be no assurance that we will ever be able to enter into any joint ventures or other arrangements with third parties to finance our drug development program or that if we are able to do so, that any of our projected therapies will ever be approved by the FDA. Even if we obtain FDA approval for a therapy, there can be no assurance that it could be successfully marketed or would not be superseded by another cannabis based therapy produced by one or more of our competitors. It also may be anticipated that even if we enter into a joint venture development with a financially stable pharmaceutical or institutional partner, we will still be required to raise significant additional capital in the future to achieve the strategic goals of our Science Division. There can be no assurance that we will be able to obtain such additional capital on reasonable terms, if at all. If our Science Division fails to achieve its goal of producing one or more cannabis based pharmaceuticals or therapies, it would have a material adverse effect on our future financial condition and business prospects.

Agreement with Growbiox Sciences Puerto Rico

On May 7, 2015, the Company entered into certain agreements with Growbiox Sciences, Puerto Rico, LLC, a limited liability company organized under the laws of the Commonwealth of Puerto Rico (“GBSPR”). GBSPR was formed and is being capitalized primarily by Cesar Cordero-Kruger, a prominent business executive and resident of Puerto Rico.

Under the terms of a commercialization agreement between the Company and GBSPR, the Company has granted to GBSPR the exclusive world-wide rights to all of our technology and intellectual property to:

- (a) manufacture, produce, lease and license our indoor series of controlled-climate indoor agricultural technology growing and cultivation chambers engineered and designed to produce medical grade cannabis and other plant extracts (the “Growbiox Chambers”) and provide remote diagnostic monitoring and servicing of the Growing Chambers to third party growers and processors of hemp, cannabis and other plant extracts;
- (b) sell to the Company, for resale and distribution throughout the world, in all territories and jurisdictions (including states in the United States) where the sale and use of such products are permitted, any and all pharmaceutical raw materials and products as well as neutraceuticals and cosmeceutical skin care products derived from medical-grade cannabis and hemp raw materials that were cultivated and grown in Growbiox Chambers;
- (c) use the trademarks and packaging developed by the Company to be used to identify all cannabis products grown in Growbiox Chambers;
- (d) provide technical support for the licensing, permitting and other requisite applications for the cannabis business in Puerto Rico and related markets;
- (e) access all research supporting the Growbiox Chambers and educational materials previously developed or collected in the future by the Company to the extent associated or used with GBSPR Business; and
- (f) access all of the dispensary related technology, proprietary information and contacts including, without limitation, technology, proprietary information, and contacts.

All rights not granted to GBSPR under the commercialization agreement are retained by the Company and include the (i) right to conduct pre-clinical and clinical trials and ongoing research and development to create cannabis-based therapies for specific clinical conditions based on an understanding of how cannabinoids interact with the natural receptors in the human body; (ii) formulation of targeted combinations of active ingredients to combat specific conditions and diseases; (iii) use of proprietary cannabinoid formulations, to develop palliative and curative pharmaceutical treatment options and products for patients with certain critical diseases; (iv) exclusive right to sell, dispense and market cannabinoid and hemp based pharmaceutical raw materials and products as well as neutraceuticals and cosmeceutical skin care products throughout the world, either directly, through distributors or

under other agreements with third parties; and (iv) right, directly, or through one or more of our subsidiaries (other than GBSPR), to cultivate, grow, dispense and sell medical-grade cannabis or marijuana in Nevada and Colorado. To the extent that GBSPR produces and sells to the Company for resale or distribution pharmaceutical raw materials and products, neutraceuticals and/or cosmeceutical skin care products derived from plants cultivated and grown in Growbiox Chambers (collectively, the “Finished Products”), the Company has agreed to establish mutually acceptable transfer pricing between GBSPR and the Company for such Finished Products; failing which agreement, an independent third party will arbitrate such pricing and pricing policies. In the event that GBSPR is unable to fulfill 100% of the requirements of the customers for Growbiox Chambers or Finished Products, GBSPR will subcontract such production to third parties that are reasonably acceptable to the Company. Neither the Company nor GBSPR may commercially sell (as opposed to leasing or licensing) Growbiox Chambers without the consent of both parties.

The grant of rights under the commercialization agreement was subject to the condition that GBSPR obtain not less than \$1.25 million of equity financing by no later than September 30, 2015, failing which we could unilaterally terminate the agreement. GBSPR failed to obtain the funds by September 30, 2015 required pursuant to the commercialization agreement. Furthermore, the delivery of the approved production version of the Growbiox cultivation unit has not yet been completed and the unit has not been delivered for testing. The Company continues to work with GBSPR to finalize the production version of the GrowBLOX and develop an alternative plan for funding. As of this date, the Company has not cancelled the commercialization agreement and technology license with GBSPR, and would prefer to continue the relationship but, in the absence of a viable funding plan, the Company may cancel the agreements and seek alternative partners for the development and commercialization of the GrowBLOX Suite technology.

Upon consummation of the contemplated \$1.25 million capitalization of GBSPR, the Company will be the majority owner of its equity, owning approximately 66% of the GBSPR membership interests; Mr. Cordero-Kruger will own approximately 15.9% of such membership interests, Dr. Andrea Small-Howard, a Director and Chief Technology Officer will own approximately 2.1% of such membership interests and Joseph J. Bianco, a GBSPR Board member will own approximately 8.3% of such membership interests. The remaining percentage of ownership of such membership interests will be owned by other non-related party investors.

Under the terms of the GBSPR operating agreement, Mr. Cordero-Kruger is the managing member of GBSPR, entitled to designate a majority of the five member board of managers of GBSPR, and is delegated with the authority to manage the business of GBSPR, subject only to certain major decisions defined in the operating agreement (dealing primarily with matters of finance, related party transactions and amending agreements among the parties) which require unanimous approval of the Board or approval by the Company. The Company has designated Craig Ellins, President and CEO, and Joseph J. Bianco as members of the GBSPR Board.

The operating agreement also provides that the investors (including Mr. Cordero-Kruger) who have provided the maximum \$1.25 million of capital to GBSPR will hold Class A membership interests that entitle them to exclusive rights to certain research and development tax credits available to residents of the Commonwealth of Puerto Rico. The Company and its affiliates and associates hold Class B membership interests, which are identical to the Class A membership interest, other than the right to the research and development tax credits.

Assuming it completes its initial \$1.25 million capitalization, GBSPR may seek to raise an additional \$4.75 million of capital in 2016 or thereafter to enable it to expand its business activities. The operating agreement provides that the terms of such additional financing, if undertaken, have to be unanimously approved by all members of the

GBSPR board, including the Company's designees. Under certain conditions, after three years, the operating agreement provides that Mr. Cordero-Kruger or his designated members of the GBSPR board may require the Company to acquire the remaining equity of GBSPR under a formula or consummate another liquidity event for the members of GBSPR.

There can be no assurance that the proposed initial \$1.25 million capitalization of GBSPR will be consummated, or that the contemplated \$4.75 million of additional financing will be undertaken or completed upon terms and conditions that are acceptable to GBSPR, if at all. There can also be no assurance that the proposed business activities of GBSPR will be successful, the ongoing research and development will result in pre-clinical trials or

clinical trials that will result in the production of any pharmaceutical or related products that will either be commercially accepted or permitted to be sold by the FDA or any other state or federal regulatory authority, or the Company will ever be able to purchase or be permitted to resell medical grade cannabis or other finished products.

Teco Cultivation Facility

Our wholly-owned subsidiary GB Sciences Nevada, LLC (“GBSN”) leases a warehouse facility at 3550 W. Teco Avenue, Las Vegas Nevada. On January 4, 2017, GBSN received a State Registration Certificate (“Certificate”) for its 28,000-sq. ft. cannabis cultivation facility located in Las Vegas, NV. The receipt of the Certificate allows the Company to cultivate medical cannabis. Phase 1 of the GBSN cultivation facility opened with 200 grow lights. When all phases of construction are completed, the facility is expected to generate revenues of \$10 million.

Completion of all Phases of this facility is dependent upon the availability of capital to complete construction. The Company has made completion of all Phases of this facility its number one priority.

Competition

The medical cannabis industry is subject to intense and increasing competition. Some of our competitors may have substantially greater capital resources, facilities and infrastructure than we have, which may enable them to compete more effectively in this market. These competitors include TerraTech Corp., Cannabis Science, Inc., Peak Pharmaceuticals, Inc., Cannabis-Rx, Inc. and Nemus Biosciences, Inc. In addition, the development of therapies and pharmaceutical products based on extracts from the cannabis plant is being undertaken by a number of medical and educational institutions, including the University of Mississippi, which is the only U.S. based entity authorized by the Federal government to cultivate cannabis for research. Such institutions have significantly greater financial resources and facilities than we have

Intellectual Property

GB Sciences’ Drug Development Pipeline for Novel Cannabis-Based Therapies

To help our patients, GB Sciences is creating a pipeline for the development of novel medicines based on our own patent-pending formulations of chemicals extracted from the Cannabis plant. We recently formed Growblox Life Sciences, LLC and have retained Fenwick & West, a Silicon Valley based law firm focusing on life sciences and high technology companies with a nationally top-ranked intellectual property practice, to develop strategies for the protection of the Company’s intellectual property. GB Sciences runs a lean drug development program by minimizing expenses including personnel, overhead, and fixed capital expenses (such as lab and diagnostic equipment) through strategic partnerships with Universities and Contract Research Organizations (CROs). Our partners bring both expertise and infrastructure at a reasonable cost to our program. During the drug discovery phase of our pipeline, our provisional patents to date have been invented as a collaboration between our Chief Science Officer, Dr. Andrea Small-Howard and Dr. Helen Turner, Dean of Natural Sciences and Mathematics at Chaminade University. Our end goal is not to take these novel formulations to market ourselves, because we know our limitations. Our goal is to be the perfect partner to those companies with greater resources and experience in the marketing and distribution of medications worldwide.

Through its wholly-owned subsidiary, Growblox Life Sciences, LLC, GB Sciences has now filed three provisional patent applications on new therapies that are complex mixtures of compounds derived from cannabis, and it has licensed an additional approved patent. On October 11, 2016, the Company filed the first of several planned patent

applications for life science inventions by its wholly-owned subsidiary, Growblox Life Sciences, LLC. The first provisional patent application covers cannabinoid-containing complex mixtures (“CCCM”) capable of enhancing dopamine secretion and protecting neurons from the mitochondria-induced free radical damage that occurs during disease progression in the brains of patients with Parkinson's disease, Alzheimer's disease, Lewy Body Dementia, and Huntington's disease, among others. Overall, there is a lack of good therapies available for these patients. As people are living longer, the numbers of these undertreated patients with neurodegenerative disorders are increasing. Fortunately, there is a common mechanism underlying these neurological disorders that our therapies address, and we are eager to continue the development of these medications. The Company plans to seek partners in the

biopharmaceutical industry or alternative venture funding to advance these cannabis-based formulations to clinical testing and commercialization.

On December 13, 2016, Growbiox Life Sciences, LLC licensed intellectual property from Makai Biotechnology, LLC. The patent underlying the license was issued by the USPTO in July of 2015, and claims therapeutic methods for the treatment of cardiac hypertrophy and associated pathologies through regulation of the cannabinoid receptor, TRPV1. TRPV1 can be regulated therapeutically by plant-based cannabinoids, which creates a plethora of potentially new therapeutic agents for the treatment of cardiac hypertrophy and heart failure. Licensing this TRPV1 patent underscores the Company's drug discovery commitment to targeting the non-classical cannabinoid receptors, beyond the usual CB1 and CB2 receptors.

On February 1, 2017, we filed our second provisional patent application. Our second application protects cannabis-based complex mixtures ("CCCM") for the treatment of a variety of inflammatory disorders, which are increasingly prevalent in our society and add more than \$300 billion dollars to the healthcare burden in the US. Some of these disorders included in our patent application are Osteoarthritis, Rheumatoid arthritis, Crohn's disease, Inflammatory Bowel Disease (IBD), allergic asthma, COPD/asthma in adults, eczema, and dermatitis. Our therapies are designed to help patients in all of these groups by focusing on commonalities in inflammatory pathways that lead to significant pain and suffering for these patients. Both common and uncommon inflammatory disorders, ranging from chronic arthritis to acute responses to insect stings, are likely to be effectively targeted by this therapeutic approach.

On May 23, 2017, we filed our third provisional patent application for the treatment of chronic pain and heart therapies based on myrcene-containing complex mixtures ("MCCM"). Our third application describes the use of our myrcene-containing complex mixtures for the treatment of heart disease. Heart disease remains the number one cause of death in the US, and there have been no novel formulations on the market for heart disease in almost twenty years. In the US, the heart disease market is \$316 billion dollars. Our formulations target the TRPV1 receptor that is protected under the approved patent that we licensed from Makai Biotechnology in December of 2016.

Our third provisional patent application also addresses patients with chronic and neuropathic pain. Recently, many patients and their physicians have been expressing their dissatisfaction with currently-available pain medications. Growing public and government concerns regarding opioid abuse, make novel pain treatments a promising field of research and development. Our novel pain formulations are also substantially free of delta-9 tetrahydrocannabinol ("THC"), which minimizes their potential for abuse. Pain represents an estimated health burden of between \$560 and \$650 billion dollars for chronic pain and between \$17 and \$20 billion dollars for immunological/neuropathic pain in the US alone.

Current Biopharmaceutical Projects

As described above, Growbiox Life Sciences has already filed provisional patent applications to protect complex mixtures derived from the cannabis plant that address twenty-six different disease-specific formulations within its intellectual property portfolio. The Company will focus its resources on the development of three specific formulations: a) two formulations will be prepared for human pilot studies in the Nevada market and b) one formulation will be put through pre-clinical studies prior to an IND-filing for official FDA-registered clinical trials. To evaluate our intellectual portfolio and plan the next steps, Growbiox Life Sciences, LLC signed a Consulting Services Agreement with Worldwide Clinical Trials, Inc. on March 6, 2017. These pre-IND consulting services will be performed by the Chief Medical Scientific Officer (CMSO) of Worldwide, Michael F Murphy, MD, PhD, as the representative of an extended Worldwide team. Dr. Murphy has participated in the IND application process (content

and FDA meeting interface) for multiple small molecules and biologics with 19 therapeutic targets, across five divisions of the FDA: Division of Neurology Products, Division of Psychiatry Products, Division of Anesthesia, Analgesia, and Addiction Products, Division of Pulmonary, Allergy, and Rheumatology Products, and Division of Bone, Reproductive and Urologic Products. He has been directly responsible for the clinical development program, execution, and New Drug Application (NDA) filing of three compounds.

To select the three disease-specific formulations for further development from our current intellectual property portfolio, the Company held a Drug Development Strategy Meeting in Las Vegas on April 21, 2017 to review the

scientific validation and market factors related to the twenty-six disease-specific formulations in our portfolio. The Drug Development Strategy Meeting was co-chaired by our Chief Science Officer, Dr. Andrea Small-Howard, and Dr. Michael Murphy, CMSO of Worldwide Clinical Trials. Other participants included the Board of Directors of GB Sciences and GB Sciences' Drug Discovery Committee: Dr. Helen Turner (Dean of Natural Sciences and Mathematics at Chaminade University), Dr. Carlos Rios Bedoya (Dept. of Family Medicine, Michigan State University), Dr. Tony Ortiz (CEO & Scientific Director, NRC Research Institute), Dr. Alexander Stokes (Center for Cardiovascular Research, Univ. of Hawaii-John A Burns School of Medicine), Dr. Daniel Chueh (CMO & Clinical Global Leader, NRC Research Institute), and Dr. Cindy Orser (Chief Science Officer, DigiPath Labs).

Based on the Drug Development Strategy Meeting and Worldwide Clinical Trials' recommendations, the Company has decided to move forward on development of formulations for pilot human trials in Nevada for our formulations for patients with chronic pain and Parkinson's disease. In addition, we plan to move forward on preclinical studies of our heart disease therapies. Dr. Michael Murphy and his team at Worldwide Clinical trials are assisting in the design of the pre-IND strategy for our heart formulations and they are drafting the clinical trial design for our pilot studies in Parkinson's disease and analgesia.

It should be emphasized that we face significant hurdles in obtaining FDA approval and certification for our therapies. Not only is the FDA certification process for any proposed pharmaceutical both extremely expensive and time consuming, but the current policy and regulations of the Federal government and some of its agencies are that cannabis has no medical benefit. Despite current Federal policy, there are more than 500 clinical trials currently in process in the United States testing cannabis or marijuana, and they are registered on the FDA-regulated website at www.clinicaltrials.gov. Of these trials, approximately 188 are testing potentially positive clinical effects of cannabis-based therapies.

Medical cannabis has been shown in numerous trials to be an effective source of pain therapy and has been indicated as being effective in treating some conditions such as glaucoma, AIDS, multiple sclerosis, chemotherapy-induced nausea and certain seizure disorders. While the therapeutic effects of medical cannabis on these conditions have been well documented in the medical literature, many patients and their physicians have well-founded concerns regarding the consistency, safety and efficacy of medical cannabis that is available at most standard dispensaries. We will seek to alleviate these concerns and increase safety and efficacy through cultivating harvest-to-harvest consistency in the levels of active cannabinoids in our proprietary strains; eliminate harmful pesticides and fungicides in our Growbiox Suites growing and curing system.

There is no assurance that the letters patent will be issued in the near future, if at all. Even if issued, there is no assurance that our patents will afford us with adequate protection for the intellectual property that we may develop.

Government Regulation and Federal Policy

Under the Controlled Substances Act ("CSA"), the policies and regulations of the Federal government and its agencies are that cannabis (marijuana) is a stage 1 narcotic that is addictive and has no medical benefit. Accordingly, and a range of activities including cultivation and the personal use of cannabis is prohibited and subject to prosecution and criminal penalties. Unless and until Congress amends the CSA with respect to medical cannabis, there is a risk that the federal authorities may enforce current federal law, and we may be deemed to be engaged in producing, cultivating, or dispensing cannabis in violation of federal law, or we may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of federal law with respect to our Company's business operations. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and

adversely affect our strategic goals, revenues and profits. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated federal policy remains uncertain. See “**Risk Factors**” below. The U.S. Supreme Court declined to hear a case brought by San Diego County, California that sought to establish federal preemption over state medical cannabis laws. The preemption claim was rejected by every court that reviewed the case. The California 4th District Court of Appeals wrote in its unanimous ruling, “Congress does not have the authority to compel the states to direct their law enforcement personnel to enforce federal laws.” However, in another case, the U.S. Supreme Court held that, as long as the CSA contains prohibitions against cannabis, under

the Commerce Clause of the United States Constitution, the United States may criminalize the production and use of cannabis even where states approve its use for medical purposes.

In an effort to provide guidance to federal law enforcement, the Department of Justice (“DOJ”) has issued Guidance Regarding Cannabis Enforcement to all United States attorneys in a memorandum from Deputy Attorney General David Ogden on October 19, 2009, in a memorandum from Deputy Attorney General James Cole on June 29, 2011 and in a memorandum from Deputy Attorney General James Cole on August 29, 2013. Each memorandum provides that the DOJ is committed to the enforcement of the CSA, but, the DOJ is also committed to using its limited investigative and prosecutorial resources to address the most significant threats in the most effective, consistent and rational way.

The August 29, 2013 memorandum provides updated guidance to federal prosecutors concerning cannabis enforcement in light of state laws legalizing medical and recreational cannabis possession in small amounts.

The memorandum sets forth certain enforcement priorities that are important to the federal government:

- Distribution of cannabis to children;
- Revenue from the sale of cannabis going to criminals;
- Diversion of medical cannabis from states where it is legal to states where it is not;
- Using state authorized cannabis activity as a pretext of other illegal drug activity;
- Preventing violence in the cultivation and distribution of cannabis;
- Preventing drugged driving;
- Growing cannabis on federal property; and
- Preventing possession or use of cannabis on federal property.

The DOJ has not historically devoted resources to prosecuting individuals whose conduct is limited to possession of small amounts of cannabis for use on private property but has relied on state and local law enforcement to address cannabis activity. In the event the DOJ reverses its stated policy and begins strict enforcement of the CSA in states that have laws legalizing medical cannabis and recreational cannabis in small amounts, there may be a direct and adverse impact to our business and our revenue and profits. Furthermore, H.R. 83, enacted by Congress on December 16, 2014, provides that none of the funds made available to the DOJ pursuant to the 2015 Consolidated and Further Continuing Appropriations Act may be used to prevent certain states, including Nevada and California, from implementing their own laws that authorized the use, distribution, possession, or cultivation of medical cannabis.

In contrast to federal policy, there are currently 28 states and the District of Columbia that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation.

Employees

As of March 31, 2017, we employed fifteen employees consisting of management and support staff.

ITEM 1A. RISK FACTORS

You should carefully consider the risks, uncertainties and other factors described below, in addition to the other information set forth in this Annual Report on Form 10-K, including our financial statements and the related notes thereto. Any of these risks, uncertainties and other factors could materially and adversely affect our business, financial condition, results of operation and cash flows. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. An investment in our securities is speculative and involves a high degree of risk. You should not invest in our securities if you cannot bear the economic risk of your investment for an indefinite period of time and cannot afford to lose your entire investment. There may be additional risks that we do not presently know of or that we currently believe are immaterial which could also impair our business and financial position. See also "Cautionary Note Regarding Forward-Looking Statements."

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We have a limited operating history, which may make it difficult for investors to predict future performance based on current operations.

We have a limited operating history upon which investors may base an evaluation of our potential future performance. In particular, we have not proven that we can supply growing equipment in a manner that enables us to be profitable and meet customer requirements, develop intellectual property to enhance our product lines, obtain the necessary permits to develop medical grade cannabis, develop and maintain relationships with key manufacturers and strategic partners to extract value from our intellectual property, raise sufficient capital in the public and/or private markets, or respond effectively to competitive pressures. As a result, there can be no assurance that we will be able to develop or maintain consistent revenue sources, or that our operations will be profitable and/or generate positive cash flows.

Any forecasts we make about our operations may prove to be inaccurate. We must, among other things, determine appropriate risks, rewards, and level of investment in our product lines, respond to economic and market variables outside of our control, respond to competitive developments and continue to attract, retain and motivate qualified employees. There can be no assurance that we will be successful in meeting these challenges and addressing such risks and the failure to do so could have a materially adverse effect on our business, results of operations and financial condition. Our prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in the early stage of development. As a result of these risks, challenges and uncertainties, the value of your investment could be significantly reduced or completely lost.

Our independent auditors' report for the fiscal years ended March 31, 2017 and 2016 have expressed doubts about our ability to continue as a going concern;

Due to the uncertainty of our ability to meet our current operating and capital expenses, in our audited annual financial statements as of and for the year ended March 31, 2017 and 2016 our independent auditors included a note to our financial statements regarding concerns about our ability to continue as a going concern. The Company has incurred recurring losses, has not generated revenue and has had negative operating cash flows since inception of the exploration activities. These factors and the need for additional financing in order for the Company to meet its business plan, raise substantial doubt about the ability to continue as a going concern. The presence of the going concern note to our financial statements may have an adverse impact on the relationships we are developing and plan to develop with third parties as we continue the commercialization of our products and could make it challenging and difficult for us to raise additional financing, all of which could have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment.

We have incurred significant losses in prior periods, and losses in the future could cause the quoted price of our Common Stock to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due and on our cash flows.

We have incurred significant losses in prior periods. For the years ended March 31, 2017 and 2016, we incurred net losses of approximately \$9.9 million and \$6.8 million respectively, and we had an accumulated deficit of \$35.3 million and \$20.8 million respectively. Any losses in the future could cause the quoted price of our common stock to decline or have a material adverse effect on our financial condition, our ability to pay our debts as they become due, and on our cash flows.

We will need additional capital to sustain our operations and will need to seek further financing, which we may not be able to obtain on acceptable terms or at all. If we fail to raise additional capital, as needed, our ability to implement our business plan could be compromised.

We have limited capital resources and operations. To date, our operations have been funded entirely from the proceeds of debt and equity financings. We expect to require substantial additional capital in the near future to implement our strategies, develop our intellectual property base, and establish our targeted levels of commercial production. There is no assurance that it will be able to raise the amount of capital needed for future growth plans.

Even if financing is available, it may not be on terms that are acceptable. If unable to raise the necessary capital at the times required, the Company may have to materially change the business plan, including delaying implementation of aspects of the business plan or curtailing or abandoning the business plan. Even if we obtain financing for our near-term operations, we expect that we will require additional capital thereafter, especially if we are to develop our Science division and start to conduct, individually or with joint venture partners, pre-clinical and clinical trials for potential pharmaceutical, nutraceutical or cosmeceutical products derived from cannabis. Our capital needs will depend on numerous factors including: (i) our profitability; (ii) the release of competitive products by our competition; (iii) the level of our investment requirements for research and development; and (iv) the amount of our capital expenditures, including acquisitions. We cannot assure you that we will be able to obtain capital in the future to meet our needs.

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by our existing stockholders will be reduced and our stockholders may experience significant dilution. In addition, new securities may contain rights, preferences or privileges that are senior to those of our common stock. If we raise additional capital by incurring debt, this will result in increased interest expense. If we raise additional funds through the issuance of securities, market fluctuations in the price of our shares of common stock could limit our ability to obtain equity financing.

We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us. If we are unable to raise capital when needed, our business, financial condition, and results of operations would be materially adversely affected, and we could be forced to reduce or discontinue our operations.

The establishment of our Solutions division operation in Puerto Rico will require additional financing.

In order for GB Sciences Puerto Rico to finalize the production version, commence the manufacture, licensing, installation and servicing of our proprietary GrowBLOX Suites, it will need to raise up to \$5 million of financing. There is no assurance that he will be able to do so or that even if such financing is obtained that it will be sufficient to enable our Puerto Rico subsidiary to effectively commence operations. There is also no assurance that there will be any significant third demand to license or lease our GrowBLOX Suites or that, even if successfully established, our Solutions division will ever be able to operate profitably.

The inability of our Solutions division to raise sufficient funds to complete commercialization of the Growblox Technology Suite and to establish its business would materially and adversely affect our proposed Science and Products division and our business prospects taken as a whole.

Drug research and development programs typically involves huge expenditures, long periods to obtain FDA approvals and the potential that such prospective pharmaceutical products will not prove to be safe and effective.

The production of FDA-approved pharmaceutical products and related drug is typically a highly expensive a long and drawn out process, typically involving hundreds of millions of dollars and a decade or more to achieve. Although we believe that some, if not all, of our planned cannabinoid based pharmaceutical protocols can qualify for “orphan drug” status and be accelerated through the FDA approval process, there can be no assurance that this will be the case.

In addition, we do not now have, and do not expect in the foreseeable future to have, the capital resources to fund our drug discovery programs, nor do we have the infrastructure to conduct such program alone. For that reason, we

intend to engage in joint ventures with third parties, including hospitals, clinics, foundations and other qualified sources. Although we are in preliminary discussions with various potential partners, to date, we have not entered into any definitive drug development joint venture or partnership agreement. Our failure or inability to enter into one or more drug development agreements will materially and adversely affect our ability to develop our Science division. Even if we are able to obtain such joint drug development agreements there can be no assurance that it will be on terms and conditions that will be favorable to us.

Although we believe that we can significantly reduce the costs of engaging in FDA certified pre-clinical and clinical trials, including traditional Phase IV human trials, by obtaining data from existing users of our medical cannabis protocols, there can be no assurance that such data will be available, or if it is, that the FDA will accept our data. There is the further risk that the anticipated costs of producing an FDA approved drug will not escalate to the point that will cause us and any of our prospective development partners to abandon such efforts.

Even if we do develop an FDA-approved pharmaceutical product, there is the risk that it will not be saleable to a major pharmaceutical company (either before or after completion of the FDA approval process), or that other competing drugs will not be produced providing the same medical benefits.

Accordingly, there is a significant risk that we will never be able to generate a return on our investment, and we could lose our entire investment in our Science division. Either of such events, would have a material adverse effect on our business prospects and equity value.

Federal law prohibits the use of cannabis for the purposes in which the Company expects to engage.

Under the federal Controlled Substances Act (“CSA”), cannabis is deemed to be a Stage One narcotic that has no medical benefit. Therefore, a range of activities including cultivation and the personal use of cannabis is prohibited and is a criminal offense. Unless and until Congress amends the CSA with respect to medical cannabis, as to the timing or scope of any which amendments there can be no assurance, there is a risk that federal authorities may enforce current federal law. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated federal policy remains uncertain.

The current policy and regulations of the Federal government and its agencies, including the U.S. Drug Enforcement Agency and the FDA, are that cannabis has no medical benefit and a range of activities including cultivation and use of cannabis for personal use is prohibited on the basis of Federal law. Although 28 states and District of Columbia have passed legislation permitting the cultivation and dispensing of medical cannabis, these laws are, in many jurisdictions, subject to strict regulation and limitations and are still being developed. Active enforcement of the current federal regulatory position on cannabis on a regional or national basis may directly and adversely affect the ability of the Company to develop its business plan even though it is allowed by state regulation in the various states in which the Company intends to operate. Although research and development in the growing and processing of cannabis products for medicinal purposes and in seeking to obtain state permits for the cultivation and sale of cannabis products are not in violation of Federal law, our business plan to conduct our Solutions and Products divisions, even if conducted within the parameters of any state licenses or permits we are able to obtain, will violate federal laws, as currently in effect. Accordingly, even if the Company is successful in obtaining a cultivation and dispensing license or permit in Nevada or other states and operates pursuant to such licenses, if federal law does not change, we believe the Company will at that time be in violation of federal law. If existing federal laws are enforced by the United States Department of Justice or the FDA, it is likely that our proposed business will be significantly and materially adversely affected.

FDA regulation of marijuana and the possible registration of facilities where medical marijuana is grown could negatively affect the cannabis industry which would directly affect our financial condition.

Should the federal government legalize marijuana for medical use, it is possible that the U.S. Food and Drug Administration (FDA) would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including cGMPs (current good manufacturing practices) related to the growth,

cultivation, harvesting and processing of medical marijuana. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical marijuana is grown be registered with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, we do not know what the impact would be on the medical marijuana industry, what costs, requirements and possible prohibitions may be enforced.

If no additional states allow the medicinal use of cannabis, or if one or more states that currently allow it reverse their position, we may not be able to continue our growth, or the market for our products and services may decline.

Currently, twenty-eight states and the District of Columbia allow the use of medicinal cannabis. While we believe that the number of states that allow the use of medicinal cannabis will grow, there can be no assurance that it will, and if it does not, there can be no assurance that the twenty-eight existing states and/or the District of Columbia won't reverse their position and disallow it. If either of these things happens, then not only will the growth of our business be materially impacted, we may experience declining revenue as the market for our products and services declines.

Because the business activities of some of our customers are illegal under Federal law, we may be deemed to be aiding and abetting illegal activities through the services that we provide to those customers. As a result, we may be subject to actions by law enforcement authorities which would materially and adversely affect our business.

We provide services to customers that are engaged in businesses involving the possession, use, cultivation, and transfer of cannabis. As a result, law enforcement authorities may seek to bring an action or actions against us, including, but not limited, to a claim of aiding and abetting another's criminal activities. Such an action would have a material effect on our business and operations.

In the states where medicinal cannabis is permitted, local laws and regulations could adversely affect our clients, including causing some of them to close, which would materially and adversely affect our business.

Even in areas where the medicinal use of cannabis is legal under state law, there are also local laws and regulations that affect our clients. These local laws and regulations may cause some of our customers to close and having a material effect on our business and operations. In addition, the enforcement of identical rules or regulations as it pertains to medicinal cannabis may vary from municipality to municipality, or city to city.

Variations in state and local regulation and enforcement in states that have legalized medical cannabis that may restrict cannabis-related activities, including activities related to medical cannabis may negatively impact our revenues and profits.

Individual state laws do not always conform to the federal standard or to other states laws. A number of states have decriminalized cannabis to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Variations exist among states that have legalized, decriminalized, or created medical cannabis exemptions. For example, Colorado has limits on the number of cannabis plants that can be homegrown. In most states, the cultivation of cannabis for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical cannabis needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of cannabis may indirectly and adversely affect our business and our revenue and profits.

It is possible that federal or state legislation could be enacted in the future that would prohibit us from selling our products or any resulting cannabis products, and if such legislation were enacted, it could prevent us from generating revenue, leading to a loss in your investment.

We are not aware of any federal or state regulation that regulates the sale of indoor cultivation equipment to medical or recreational cannabis growers. The extent to which the regulation of drug paraphernalia under the CSA is applicable to our business and the sale of our products is found in the definition of "drug paraphernalia." Drug

paraphernalia means any equipment, product, or material of any kind that is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance, possession of which is unlawful.

If federal and/or state legislation is enacted which prohibits the sale of our growing equipment to medical cannabis growers, our revenues would decline, leading to a loss of a material portion of your investment.

Prospective customers may be deterred from doing business with a company with a significant nationwide online presence because of fears of federal or state enforcement of laws prohibiting possession and sale of medical or recreational cannabis.

Internet websites are visible by people everywhere, not just in jurisdictions where the medical or recreational use of cannabis is considered legal. Our website is visible in jurisdictions where medicinal and/or recreational use of cannabis is not permitted and, as a result, we may be found to be violating the laws of those jurisdictions. We could lose potential customers as they could fear federal prosecution. In most states in which the production and sale of cannabis have been legalized, there are additional laws or licenses required and some states altogether prohibit home cultivation, all of which could make the loss of potential customers more likely.

We may not obtain the necessary permits and authorizations to operate the medical cannabis business.

We may not be able to obtain or maintain the necessary licenses, permits, authorizations, or accreditations, or may only be able to do so at great cost, to operate its medical cannabis business. In addition, we may not be able to comply fully with the wide variety of laws and regulations applicable to the medical cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations, or accreditations could result in restrictions on our ability to operate the medical cannabis business, which could have a material adverse effect on our business.

If we incur substantial liability from litigation, complaints, or enforcement actions, our financial condition could suffer.

Our participation in the medical cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against these subsidiaries. Litigation, complaints, and enforcement actions involving these subsidiaries could consume considerable amounts of financial and other corporate resources, which could have a negative impact on our sales, revenue, profitability, and growth prospects.

We have difficulty accessing the service of banks, which may make it difficult for us to operate.

Since the use of cannabis is illegal under Federal law, there is an argument that banks should not accept for deposit funds from businesses involved with the cannabis industry. Consequently, such businesses often have difficulty finding a bank willing to accept their business.

On February 14, 2014, the U.S. government issued rules allowing banks to legally provide financial services to state licensed marijuana businesses. A memorandum issued by the Justice Department to federal prosecutors re-iterated guidance previously given, this time to the financial industry that banks can do business with legal marijuana businesses and “may not” be prosecuted. The Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued guidelines to banks that “it is possible to provide financial services” to state-licensed marijuana businesses and still be in compliance with federal anti-money laundering laws. To date we are unaware if any banks have relied on the guidance and taken on legal marijuana companies as clients.

Notwithstanding the above federal guidelines and in addition to potential federal sanctions, regulators in the states in which we are able to conduct business may make it difficult for local banks to do business with companies considered to be engaged in cultivating and dispensing cannabis. Failure to establish a permanent banking relationship could have a material and adverse effect on our future business operations.

We face intense competition and many of our competitors have greater resources that may enable them to compete more effectively.

The industry in which we operate is subject to intense and increasing competition. Some of our competitors have greater capital resources, facilities and diversity of product lines, which may enable them to compete more effectively in this market. Our competitors may devote their resources to developing and marketing products that will directly compete with our product lines. Due to this competition, there is no assurance that we will not encounter difficulties in obtaining revenues and market share or in the positioning of our products. There are no

assurances that competition in our respective industries will not lead to reduced prices for our products. If we are unable to successfully compete with existing companies and new entrants to the market this will have a negative impact on our business and financial condition.

If we fail to protect or develop our intellectual property, our business could be adversely affected.

Our viability will depend, in part, on our ability to develop and maintain the proprietary aspects of our technology to distinguish our products from our competitors' products. We will rely on patents, copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect our intellectual property.

Any infringement or misappropriation of our intellectual property could damage its value and limit our ability to compete. We may have to engage in litigation to protect the rights to our intellectual property, which could result in significant litigation costs and require a significant amount of our time. In addition, our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us.

Competitors may also harm our sales by designing products that mirror the capabilities of our products or technology without infringing on our intellectual property rights. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future revenue.

We may also find it necessary to bring infringement or other actions against third parties to seek to protect our intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that we will have the financial or other resources to enforce our rights or be able to enforce our rights or prevent other parties from developing similar technology or designing around our intellectual property.

Although we believe that our intellectual property does not and will not infringe upon the patents or violate the proprietary rights of others, it is possible such infringement or violation has occurred or may occur, which could have a material adverse effect on our business.

We are not aware of any infringement by us of any person's or entity's intellectual property rights. In the event that products we sell are deemed to infringe upon the patents or proprietary rights of others, we could be required to modify our products or obtain a license for the manufacture and/or sale of such products or cease selling such products. In such event, there can be no assurance that we would be able to do so in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do any of the foregoing could have a material adverse effect upon our business.

There can be no assurance that we will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. If our products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, we could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on our business and our financial condition.

Our trade secrets may be difficult to protect.

Our success depends upon the skills, knowledge, and experience of our scientific and technical personnel, our consultants and advisors, as well as our licensors and contractors. Because we operate in several highly competitive industries, we rely in part on trade secrets to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality or non-disclosure agreements with our corporate partners, employees, consultants, outside scientific collaborators, developers, and other advisors. These agreements generally require that the receiving party keep confidential and not disclose confidential information developed by the receiving party or made known to the receiving party by us during the course of the receiving party's relationship with us. These agreements also generally provide that inventions conceived by the receiving party in the

course of rendering services to us will be our exclusive property, and we enter into assignment agreements to perfect our rights.

These confidentiality, inventions and assignment agreements may be breached and may not effectively assign intellectual property rights to us. Our trade secrets also could be independently discovered by competitors, in which case we would not be able to prevent the use of such trade secrets by our competitors. The enforcement of a claim alleging that a party illegally obtained and was using our trade secrets could be difficult, expensive and time consuming and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect our competitive position.

Our future success depends on our key executive officers and our ability to attract, retain, and motivate qualified personnel.

Our future success largely depends upon the continued services of our executive officers and management team. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Additionally, we may incur additional expenses to recruit and retain new executive officers. If any of our executive officers joins a competitor or forms a competing company, we may lose some of our potential customers. Finally, we do not maintain “key person” life insurance on any of our executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect our business, financial condition, and results of operations, and thereby an investment in our stock.

Our continuing ability to attract and retain highly qualified personnel will also be critical to our success because we will need to hire and retain additional personnel as our business grows. There can be no assurance that we will be able to attract or retain highly qualified personnel. We face significant competition for skilled personnel in our industry. This competition may make it more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, we may not be able to effectively manage or grow our business, which could adversely affect our financial condition or business. As a result, the value of your investment could be significantly reduced or completely lost.

We may not be able to effectively manage our growth or improve our operational, financial, and management information systems, which would impair our results of operations.

In the near term, we intend to expand the scope of our operations activities significantly. If we are successful in executing our business plan, we will experience growth in our business that could place a significant strain on our business operations, finances, management and other resources. The factors that may place strain on our resources include, but are not limited to, the following:

- The need for continued development of our financial and information management systems;
- The need to manage strategic relationships and agreements with manufacturers, customers and partners; and
- Difficulties in hiring and retaining skilled management, technical, and other personnel necessary to support and manage our business.

Additionally, our strategy could produce a period of rapid growth that may impose a significant burden on our administrative and operational resources. Our ability to effectively manage growth will require us to substantially

expand the capabilities of our administrative and operational resources and to attract, train, manage, and retain qualified management and other personnel. There can be no assurance that we will be successful in recruiting and retaining new employees, or retaining existing employees.

We cannot provide assurances that our management will be able to manage this growth effectively. Our failure to successfully manage growth could result in our sales not increasing commensurately with capital investments or otherwise materially adversely affecting our business, financial condition, or results of operations.

If we are unable to continually innovate and increase efficiencies, our ability to attract new customers may be adversely affected.

In the area of innovation, we must be able to develop new technologies and products that appeal to our customers. This depends, in part, on the technological and creative skills of our personnel and on our ability to protect our intellectual property rights. We may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Litigation may adversely affect our business, financial condition, and results of operations.

From time to time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could adversely affect our business and the results of our operations.

Our officers and directors have significant control over stockholder matters and the minority stockholders will have little or no control over our affairs.

As of March 31, 2017, our officers and directors currently own approximately 5% of our outstanding common stock, and have approximately 5% of stockholder voting power, and thus significant control over stockholder matters, such as election of directors, amendments to the Articles of Incorporation, and approval of significant corporate transactions. As a result, the Company's minority stockholders will have little or no control over its affairs.

If we fail to implement and maintain proper and effective internal controls and disclosure controls and procedures pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, our ability to produce accurate and timely financial statements and public reports could be impaired, which could adversely affect our operating results, our ability to operate our business, and investors' views of us.

As of March 31, 2017, management assessed the effectiveness of our internal controls over financial reporting. Management concluded, as of the fiscal year ended March 31, 2017, that our internal controls and procedures were not effective to detect the inappropriate application of U.S. GAAP rules. Management concluded that our internal controls were adversely affected by deficiencies in the design or operation of our internal controls, which management considered to be material weakness; specifically, no member of our board of directors qualifies as an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act.

The failure to implement and maintain proper and effective internal controls and disclosure controls could result in material weaknesses in our financial reporting such as errors in our financial statements and in the accompanying footnote disclosures that could require restatements. Investors may lose confidence in our reported financial information and disclosure, which could negatively impact our stock price.

We do not expect that our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our insurance coverage may be inadequate to cover all significant risk exposures; because we are in the cannabis industry, we have a difficult time obtaining the various insurances that are desired to operate our business, which may expose us to additional risk and financial liabilities.

We will be exposed to liabilities that are unique to the products we provide. While we intend to maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs resulting from risks and uncertainties of our business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. The failure to obtain adequate insurance coverage on terms favorable to us, or at all, could have a material adverse effect on our business, financial condition and results of operations. We do not have any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources.

Currently we have insurance coverage in place for business personal property located at 3550 W. Teco Avenue, Las Vegas, Nevada 89118, as well as workers' compensation insurance, directors and officers' liability insurance, and general liability insurance.

Insurance that is otherwise readily available is more difficult for us to find, and more expensive, because we engaged in the medicinal cannabis industry. There are no guarantees that we will be able to find such insurances in the future, or that the cost will be affordable to us. If we are forced to go without such insurances, it may prevent us from entering into certain business sectors, may inhibit our growth, and may expose us to additional risk and financial liabilities.

RISKS RELATED TO AN INVESTMENT IN OUR SECURITIES

We expect to experience volatility in the price of our common stock, which could negatively affect stockholders' investments.

The trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with securities traded in those markets. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. All of these factors could adversely affect your ability to sell your shares of common stock or, if you are able to sell your shares, to sell your shares at a price that you determine to be fair or favorable.

Our common stock is categorized as "penny stock," which may make it more difficult for investors to sell their shares of common stock due to suitability requirements.

Our common stock is categorized as "penny stock". The Securities and Exchange Commission (the "SEC") has adopted Rule 15c-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. The price of our common stock is significantly less than \$5.00 per share, and is therefore considered "penny stock." This designation imposes additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules require a broker-dealer buying our securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities given the increased risks generally

inherent in penny stocks. These rules may restrict the ability and/or willingness of brokers or dealers to buy or sell our common stock, either directly or on behalf of their clients, may discourage potential stockholders from purchasing our common stock, or may adversely affect the ability of stockholders to sell their shares.

Financial Industry Regulatory Authority (“FINRA”) sales practice requirements may also limit a stockholder’s ability to buy and sell our common stock, which could depress the price of our common stock.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require a broker-dealer to have reasonable grounds for believing that the investment is suitable for that customer before recommending an

investment to a customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative, low-priced securities will not be suitable for at least some customers. Thus, the FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our shares of common stock, have an adverse effect on the market for our shares of common stock, and thereby depress our price per share of common stock.

The elimination of monetary liability against our directors, officers, and employees under Nevada law and the existence of indemnification rights for or obligations to our directors, officers, and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers, and employees.

Our Articles of Incorporation contain a provision permitting us to eliminate the personal liability of our directors to us and our stockholders for damages for the breach of a fiduciary duty as a director or officer to the extent provided by Nevada law. We may also have contractual indemnification obligations under any future employment agreements with our officers. The foregoing indemnification obligations could result in us incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and the resulting costs may also discourage us from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit us and our stockholders.

We may issue additional shares of common stock in the future, which could cause significant dilution to all stockholders.

Our Certificate of Incorporation authorizes the issuance of up to 200,000,000 shares of common stock and up to 50,000,000 shares of preferred stock with a par value of \$0.001 per share. As of July 7, 2017, we had 127.7 million shares of common stock outstanding. However, we require additional capital and will likely issue additional shares of Common Stock in the future in connection with one or more financings or an acquisition. Such issuances may not require the approval of our stockholders. In addition, certain of our outstanding rights to purchase additional shares of common stock or securities convertible into our common stock are subject to full-ratchet anti-dilution protection, which could result in the right to purchase significantly more shares of common stock being issued or a reduction in the purchase price for any such shares or both. Any issuance of additional shares of our common stock, or equity securities convertible into our common stock, including but not limited to, warrants, and options, will dilute the percentage ownership interest of all stockholders, may dilute the book value per share of our common stock, and may negatively impact the market price of our common stock.

Anti-takeover effects of certain provisions of Delaware state law hinder a potential takeover of us.

Nevada has a business combination law which prohibits certain business combinations between Nevada corporations and "interested stockholders" for three years after an "interested stockholder" first becomes an "interested stockholder," unless the corporation's board of directors approves the combination in advance. For purposes of Delaware law, an "interested stockholder" is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (ii) an affiliate or associate of the corporation and at any time within the three previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding shares of the corporation. The

definition of the term “business combination” is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation’s assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders.

The effect of Delaware’s business combination law is to potentially discourage parties interested in taking control of us from doing so if it cannot obtain the approval of our Board. Both of these provisions could limit the price investors would be willing to pay in the future for shares of our common stock.

Because we do not intend to pay any cash dividends on our common stock, our stockholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Declaring and paying future dividends, if any, will be determined by our Board, based upon earnings, financial condition, capital resources, capital requirements, restrictions in our Articles of Incorporation, contractual restrictions, and such other factors as our Board deems relevant. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them. There is no assurance that stockholders will be able to sell shares when desired.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTY

Our executive offices, Science and Cultivation divisions are located at 3550 W. Teco Avenue, Las Vegas, NV 89118 under a ten-year with one option to extend the lease for five years, or until December 31, 2030. The monthly rent payments per the Amended Lease Agreement are \$40,000 through December 31, 2017. Commencing January 1, 2018, the monthly rent payments will increase by 3% per annum through the expiration of the lease.

Our Growblox Sciences Puerto Rico, LLC subsidiary lease offices in San Juan, Puerto Rico under a one year lease expiring January 31, 2018 at a monthly rental of \$1,500.

ITEM 3. LEGAL PROCEEDINGS

On April 2, 2014, we commenced an action in the United States District Court for the Southern District of New York captioned Signature Exploration and Production Corporation v. GCM Administrative Services, LLC, Strategic Turnaround Equity Partners, L.P. (Cayman), Seth M. Lukash, and Gary Herman, 14 Civ. 02280 (ER) (the “Action”). After the change of name of Signature Exploration and Production Corporation, the caption was amended to substitute GrowBlox Sciences, Inc. as the plaintiff. The complaint in the Action sought a declaratory judgment that neither Lukash nor Herman was entitled to receive any interest in, including any shares of stock of, GB Sciences pursuant to certain share conversion rights held under promissory notes in the aggregate amount of \$75,000, given by a related party of ours to the entity defendants GCM and Strategic.

On May 9, 2014, defendants filed an answer denying the complaint’s material allegations, and asserted a counterclaim against us, against persons identified as certain of our officers or directors, and against GrowOpp, LLC and Tumbleweed Holdings, Inc. On November 19, 2014, defendants filed an amended counterclaim, including a prayer for monetary relief or damages in the sum of \$9 million. We moved to dismiss the counterclaim and by opinion dated June 2, 2015, the Court granted the motion in part and dismissed counts one and two (for declaratory judgment as to an alleged partnership or joint venture, and for breach of fiduciary duty predicated upon those allegations), and denied the motion in part, leaving counts three and four of the counterclaim standing. The Court viewed the third and fourth claims as a single claim for unjust enrichment, in which recovery would be based on quantum meruit, that is, upon the alleged value of any benefit conferred by defendants to us through alleged work and services rendered. In view of the fact that the pleading did not assign a particular value to that claim we are unable at present to advise what specific sum of money damages is sought. We did not challenge the fifth count of

the counterclaim at this stage that seeks damages of \$75,000 for alleged non-payment of the above-referenced promissory notes.

On August 9, 2016, the Company finalized a settlement agreement in final disposition of the lawsuit filed by the Company on April 2, 2014, in the United States District Court for the Southern District of New York. The Company issued 1,400,000 shares of restricted common stock to certain non-affiliates of the Company and recorded a related expense of \$0.4 million.

On August 19, 2015, Cathryn Kennedy, our former Chief Financial Officer, filed a Complaint against us in the District Court in Clark County, Nevada alleging that she was assigned new duties by us which constituted a termination without cause effective July 24, 2015, and that as a consequence thereof she is entitled to severance, vacation pay and stock compensation from us pursuant to her Employment Agreement dated November 18, 2014.

On April 8, 2016, the Company entered into a mutual agreement with Cathryn Kennedy per terms of which the Company issued 200,000 of its unrestricted common shares in exchange for a full dismissal with prejudice of all causes of action pending in the above-referenced Complaint.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

GB Sciences, Inc.'s common stock is quoted on the OTCQB under the symbol "GBLX".

For the periods indicated, the following table sets forth the high and low per share intra-day sales prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

Fiscal Year 2017	High (\$)	Low (\$)
Fourth Quarter	0.56	0.30
Third Quarter	0.65	0.28
Second Quarter	0.40	0.24
First Quarter	0.45	0.15
Fiscal Year 2016		
Fourth Quarter	0.24	0.14
Third Quarter	0.39	0.11
Second Quarter	0.41	0.01
First Quarter	0.74	0.19

As of July 7, 2017, there were 193 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of beneficial holders.

Dividend Policy

Cash dividends have never been declared or paid on common stock dividends are not anticipated on common stock in the foreseeable future. Future earnings, if any, will be retained to finance the expansion business and for general

corporate purposes. There is no assurance we will pay dividends in the future. Future dividend policy is within the discretion of the Board of Directors and will depend upon various factors, including results of operations, financial condition, capital requirements and investment opportunities.

Recent Sales of Unregistered Securities***Common Stock***

In January 2017, in order to encourage the exercise of the 15,512,500 warrants issued to investors in private offering dated December 2, 2015 and the 15,000,000 warrants issued to investors in private offering dated August 26, 2016, the Company effected a temporary decrease, until March 31, 2017, in the exercise price of the warrants from \$0.50 and \$0.60, respectfully, to \$0.20 per share. As a result of the price reduction, total of 25,606,171 million warrants were exercised resulting in net proceeds of approximately \$4.6 million.

On January 24, and February 22, 2017, the Company received notices from Pacific Leaf Ventures, LP (“Pacific Leaf”) that it had elected to convert \$413,085 (\$317,938 in principal and \$95,145 in accrued interest) of the Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory Note. Accordingly, the Company has issued 1,652,332 shares of its common stock (\$413,083 converted at a price of \$0.25 per share) to Pacific Leaf.

During three-month period ended March 31, 2017, we issued 602,688 shares of our restricted common stock in connection with consulting services and recorded a related expense of \$0.2 million.

In January, 2017, the Company received a notice from the Holder of the Short-Term Promissory Note (“Note”) issued in July 2016 with face value of \$500,000. The Holder had elected to convert \$500,000 of the Company’s indebtedness into common stock of the Company pursuant to the Convertible Note Agreement. Accordingly, the Company had issued 2,538,333 shares of its common stock (\$500,000 principal and \$38,333 accrued interest converted at a price of \$0.20 per share).

In February, 2017, the Company received a notice from the Holder of the Short-Term Promissory Note (“Note”) issued in February 2016 with face value of \$192,500. The Holder had elected to convert all of the Company’s indebtedness into common stock of the Company pursuant to the Convertible Note Agreement. Accordingly, the Company had issued 965,500 shares of its common stock (\$192,500 converted at a price of \$0.20 per share).

During three-month period ended March 31, 2017, we issued 602,688 shares of our restricted common stock in connection with consulting services and recorded a related expense of \$0.2 million.

All of the foregoing securities, including GB Sciences common stock, were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 (the “Securities Act”) and/or Rule 506 of Regulation D under the Securities Act, as amended.

Convertible Notes and Warrants

In March 2017, the Company issued short-term Promissory Notes (“Notes”) to various holders with combined face value of \$965,500. The Notes are payable within three years of issuance and are convertible into 3,862,000 shares of the Company’s common stock and 3,862,000 common stock purchase warrants at any time and from time to time before maturity at the option of the holder. Each warrant gives the Noteholder the right to purchase one share of common stock of the Company at an exercise price of \$0.60 per share for a period of three years. The beneficial conversion feature resulting from the discounted conversion price compared to the market price was calculated based on the date of issuance to be \$416,733 after adjusting the effective conversion price for the relative fair value of the note proceeds compared to the fair value of the attached warrants and note. In addition to this discount related to the beneficial conversion feature, an additional discount of \$548,767 was recorded based on the fair value of the warrants attached to the note. This value was derived using the Black-Scholes valuation model.

The Notes and Warrants were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 (the "Securities Act") and/or Rule 506 of Regulation D under the Securities Act, as amended.

ITEM 6. SELECTED FINANCIAL DATA

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of the plan of operation, financial condition and results of operations should be read in conjunction with the Company's financial statements, and notes thereto, included elsewhere herein. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those discussed in this Annual Report.

Executive Overview

The Company seeks to be an innovative technology and solution company that converts the cannabis plant into medicines, therapies and treatments for a variety of ailments. The Company is developing and utilizing state of the art technologies in plant biology, cultivation and extraction techniques, combined with biotechnology, and plans to produce consistent and measurable medical-grade cannabis, cannabis concentrates and cannabinoid therapies. Although we believe that maximum shareholder value will ultimately be achieved through the development, production and marketing of certified cannabinoid medicines, therapies and treatments, in order to generate cash flow and near-term profitability, we intend to cultivate and dispense cannabis for medical purposes in both Nevada and other states which permit such sales and in which we and our operating partners are able to obtain cultivation and dispensing licenses.

We seek to become a trusted producer of consistent and efficacious medicinal strains and products, combining both cannabinoids and terpenes, which we intend to market in those states within the United States and in other countries where the sale of medical cannabis products are permitted. In addition, subject to obtaining Food and Drug Administrative (FDA) certification, we intend to market our cannabinoid based drug discoveries on a world-wide basis.

We were incorporated in the State of Delaware on April 4, 2001, under the name "Flagstick Venture, Inc." On March 28, 2008, stockholders owning a majority of our outstanding common stock approved changing our then name "Signature Exploration and Production Corp." as our business model had changed.

On March 13, 2014, we entered into a definitive assets purchase agreement for the acquisition of assets, including the Growblox™ cultivation technology which resulted in a change in our corporate name on April 4, 2014, from Signature Exploration and Production Corporation to Growblox Sciences, Inc.

Effective December 12, 2016, the Company amended its Certificate of Corporation pursuant to shareholder approval as reported in the Form 8-K filed on October 14, 2016. Pursuant to the amendment the Company's name was changed from Growblox Sciences, Inc. to GB Sciences, Inc.

The Company is cultivating cannabis using innovative, but conventional methods in its wholly owned subsidiary, GB Sciences Nevada, LLC ("GBSN"). On January 4, 2017, GBSN received a State Registration Certificate ("Certificate") for its 28,000-sq. ft. cannabis cultivation facility located in Las Vegas, NV. The receipt of the Certificate allows the Company to cultivate medical cannabis. Phase 1 of the GBSN cultivation facility opened with 200 grow lights. When all phases of construction are completed, the facility is expected to generate revenues approximately of \$10 million. Completion of all Phases of this facility is dependent upon the availability of capital to complete construction. The Company has made completion of all Phases of this facility its number one priority.

Results of Operations

The following table sets forth selected data of our Statement of Operations:

	For the Twelve Months Ended March 31,	
	2017	2016
Revenue	\$ -	\$ -
General and administrative expenses	8,933,111	6,958,769
Other Expense	(1,149,992)	(120,209)
Net loss attributable to non-controlling interest	(173,273)	(307,643)
Net Loss	<u><u>\$ (9,909,830)</u></u>	<u><u>\$ (6,771,335)</u></u>

Revenues. The Company had no operating revenues for the twelve months ended March 31, 2017, and March 31, 2016.

General and Administrative Expenses. General and administrative expenses increased approximately \$2 million or 29% during the fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016. The increase in primarily attributable to a \$1.4 million increase in share-based compensation expense related to issuance of a compensation warrant to purchase 3,412,500 shares of the Company's common stock pursuant to the terms of a private placement agreement. This increase was offset by \$0.3 million decrease in rental expense due to the Company moving its corporate offices to the capitalized leased building housing its cultivation facility.

Other Income/(Expense). Other expenses increased by \$1 million during the period compared to the twelve months ended March 31, 2016. The increase in primarily due to \$0.8 million increase in amortization of the debt discount related to the beneficial conversion features recorded on the convertible debt and \$0.2 million increase in loss on extinguishment of convertible debt.

Liquidity and Capital Resources

Current Liquidity

The Company will need additional capital to implement our strategies. There is no assurance that it will be able to raise the amount of capital needed for future growth plans. Even if financing is available, it may not be on terms that are acceptable. If unable to raise the necessary capital at the times required, the Company may have to materially change the business plan, including delaying implementation of aspects of the business plan or curtailing or abandoning the business plan. The Company represents a speculative investment and investors may lose all of their investment. In order to be able to achieve the strategic goals, the Company needs to further expand its business and financing activities. Based upon the cash position, it is necessary to raise additional capital by the end of the next quarter in order to continue to fund current operations. These factors raise substantial doubt about the ability to continue as a going concern. The Company is pursuing several alternatives to address this situation, including the raising of additional funding through equity or debt financings. In order to finance existing operations and pay

current liabilities over the next twelve months, the Company will need to raise approximately \$5 million of capital depending upon license status. No assurance can be given that the Company will be able to operate profitably on a consistent basis, or at all, in the future.

The principal sources of liquidity to date have been cash generated from sales of debt and equity securities and loans.

At March 31, 2017, the Company had cash balance \$2.7 million, other current assets excluding cash were \$0.3 million and our working capital was \$2.3 million. Current liabilities were approximately \$0.7 million, which consisted principally of \$0.4 million in accrued liabilities and \$0.2 million in accounts payable. At March 31, 2016, the Company had cash balance \$0.03 million, other current assets excluding cash were \$0.2 million and our working capital deficit was \$2.1 million. Current liabilities were approximately \$2.3 million, which consisted principally of \$0.9 million in accounts payable, \$0.8 million in accrued liabilities, and \$0.5 million in notes payable.

Sources and Uses of Cash

Operating Activities

Cash flows used in operations were \$4.5 million and \$3.6 million for the fiscal years ended March 31, 2017 and 2016, respectively. We anticipate that cash flows from operations may be insufficient to fund business operations for the next twelve-month period. Accordingly, we will have to generate additional liquidity or cash flow to fund our current and anticipated operations. This will likely require the sale of additional common stock or other securities. There is no assurance that we will be able to realize any significant proceeds from such sales, if at all.

Investing Activities

During the twelve months ended March 31, 2017 and 2016, the Company used \$4.2 million and \$0.9 million, respectively, of cash in investing activities. The cash used in investing activities during the twelve months ended March 31, 2017 and 2016 was primarily for the purchase of property and equipment.

Financing Activities

During the twelve months ended March 31, 2017 and 2016, cash flows from financing activities was \$11.3 million and \$4.5 million, respectively. Cash flows from financing activities for the twelve months ended March 31, 2017 relate primarily to \$9.7 million in proceeds from the issuance of common stock and warrants, \$1.6 million in proceeds from the issuance of debt securities, and \$0.3 million in proceeds from non-controlling interests. Cash flows from financing activities for the twelve months ended March 31, 2016 relate primarily to \$2.2 million in proceeds from the issuance of debt securities, \$1.5 million in proceeds from the issuance of common stock and warrants, and \$0.5 million in proceeds from non-controlling interests.

Installment Loan Financing – Convertible Debenture

The Company entered into a Note Purchase Agreement, dated May 12, 2015 and effective as of June 8, 2015, with Pacific Leaf Ventures, LP (“Pacific Leaf”), pursuant to which Pacific Leaf has made installment loans (the “Loans”) to the Company in the aggregate amount of \$1.75 million. The purpose of the financing is to provide for the acquisition and installation of an operating facility, equipment and other tangible assets by GB Sciences Nevada, LLC (“GBSN”). Such facility and equipment was dedicated to the cultivation of cannabis and the extraction of oils and other constituents present in cannabis, subject at all times to Nevada legal requirements. The note is convertible at the option of the holder into common shares at a conversion price of \$0.50, subject to anti-dilution adjustments. To evidence the Loans, the Company issued to Pacific Leaf a 6% senior secured convertible promissory note (the “Note”), bearing interest at the rate of 6% per annum, payable quarterly. All outstanding principal and interest due under the Note were due and payable on May 12, 2020. The Company was required to prepay the outstanding principal amount of the Note on a quarterly basis in an amount equal to 50% of the cash flow (accrued EBITDA) of

GBSN attributable to our percentage interest in GBSN no later than the earlier to occur of (a) the fifth (5th) business day following receipt of a distribution of the Company's Share of GBSN's EBITDA for the calendar quarter in question, or (b) thirty (30) days following the end of the calendar quarter in question, with the first such prepayment to be made not later than July 31, 2015 with respect to the quarter ending June 30, 2015. In order to induce the Pacific Leaf to extend the loan to the Company and to secure the payment and performance of all of the Secured Obligations, the Company agreed to grant Pacific Leaf a security interest in certain of its assets and enter into the lending agreement.

On February 8, 2016, the Company entered into the Amended and Restated 6% Senior Convertible Promissory Note ("Amended Note") with Pacific Leaf. The amended agreement modifies the 6% Senior Secure Convertible Promissory Note dated May 12, 2015 and effective as of June 8, 2015, in the principal amount of \$1.75 million. Per the terms of the amended agreement, Pacific Leaf may make up to \$1.0 million in additional advances to the Company under the Amended Note bringing the total in the aggregate to \$2.75 million. The note is convertible at the option of the holder into common shares at a conversion price of \$0.25, subject to anti-dilution adjustments. The Company has an option to prepay the Amended Note, without premium or penalty, in whole or in part, with accrued interest to the date of such prepayment.

Until the payment in full of the Amended Note, Pacific Leaf or its designee have the option (the "Option") to purchase up to a 20% membership interest in GBSN for a purchase price equal to \$100,000 for each 2% of membership interest purchased (i.e., \$1,000,000 if the Option is exercised in full), provided that the Option may not be exercised for less than a 1% membership interest in GBSN.

In connection with the Amended Note, the Company also entered into the Amended and Restated Royalty Agreement with Pacific Leaf dated and effective as of February 8, 2016. Per the terms of the Amended Royalty Agreement, the royalty rate at any time shall equal to the sum of (i) 9.1%, and (ii) the percentage calculated by dividing the amount advanced in excess of \$1.75 million by \$1.0 million, multiplied by the gross revenues of GBSN. On the earlier of (i) the seventh anniversary of the royalty payment date, or (ii) the date that all amounts outstanding under the Amended Note have been paid in full, the royalty rate shall be reduced by 50%.

On June 13, 2016, the Company received notice from the Pacific Leaf that it had elected to convert \$500,000 of the Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory. Accordingly, the Company has issued 2,000,000 shares of its common stock (\$500,000 converted at a price of \$0.25 per share) to Pacific Leaf and the Company's indebtedness pursuant to the Note was reduced by \$500,000.

On August 4, 2016, the Company entered into the Second Omnibus Amendment ("Second Amendment") of its existing agreements with Pacific Leaf. The Second Amendment eliminates Pacific Leaf's option to purchase up to a 20% membership interest in GBSN and reduces Pacific Leaf's existing royalty rate to 16.4% of the gross sales revenue of GBSN. It also caps maximum aggregate royalty payments to be made to Pacific Leaf at \$2,420,000 with respect to any calendar year. In consideration of the amended terms, Pacific Leaf and its designees received 1,000,000 shares of the Company's common stock and a five-year warrant to purchase 1,500,000 shares of the Company's common stock at \$0.36 per share resulting in related expense of approximately \$0.9 million.

On October 4, October 20, November 1, and November 10, 2016, the Company received notices the Pacific Leaf that it had elected to convert total of \$1,776,750 of the Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory. Accordingly, the Company has issued 7,107,000 shares of its common stock (\$1,776,750 converted at a price of \$0.25 per share) to Pacific Leaf and the Company's indebtedness pursuant to the Note was reduced by \$1,776,750.

On January 24, and February 22, 2017, the Company received additional notices from Pacific Leaf Ventures, LP ("Pacific Leaf") that it had elected to convert \$413,085 (\$317,938 in principal and \$95,145 in accrued interest) of the Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory. Accordingly, the Company has issued 1,652,332 shares of its common stock (\$413,083

converted at a price of \$0.25 per share). As of March 31, 2017, the Company indebtedness pursuant to the Note was \$0.2 million.

Convertible Notes and Warrants

In March 2017, the Company issued short-term Promissory Notes (“Notes”) to various holders with combined face value of \$965,500. The Notes are payable within three years of issuance and are convertible into 3,862,000 shares of the Company’s common stock and 3,862,000 common stock purchase warrants at any time and from time to time before maturity at the option of the holder. Each warrant gives the Noteholder the right to purchase one share of

common stock of the Company at an exercise price of \$0.60 per share for a period of three years. The beneficial conversion feature resulting from the discounted conversion price compared to the market price was calculated based on the date of issuance to be \$416,733 after adjusting the effective conversion price for the relative fair value of the note proceeds compared to the fair value of the attached warrants and note. In addition to this discount related to the beneficial conversion feature, an additional discount of \$548,767 was recorded based on the fair value of the warrants attached to the note. This value was derived using the Black-Scholes valuation model.

Variables and Trends

We have no operating history with respect to the current business plan. In the event we are able to obtain the necessary financing to move forward with the business plan, we expect business expenses to increase significantly as we go operational. Accordingly, the comparison of the financial data for the periods presented may not be a meaningful indicator of future performance and must be considered in light these circumstances.

Off Balance Sheet Arrangements

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

Critical Accounting Policies

General

The preparation of financial statements requires management to utilize estimates and make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The estimates are evaluated by management on an ongoing basis, and the results of these evaluations form a basis for making decisions about the carrying value of assets and liabilities that are not readily apparent from other sources. Although actual results may differ from these estimates under different assumptions or conditions, management believes that the estimates used in the preparation of the financial statements are reasonable. Policies involving the most significant judgments and estimates are summarized below.

Equity-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718) and Equity-Based Payments to Non-employees pursuant to ASC 505-50 (ASC 505-50). The computation of the expense associated with stock-based compensation requires the use of a valuation model. The FASB issued accounting guidance requires significant judgment and the use of estimates, particularly surrounding Black-Scholes assumptions such as stock price volatility, expected option lives, and expected option forfeiture rates, to value equity-based compensation. We currently use a Black-Scholes option pricing model to calculate the fair value of stock options. We primarily use historical data to determine the assumptions to be used in the Black-Scholes model and have reason to believe that future data is likely to differ materially from historical data. However, changes in the assumptions to reflect future stock price volatility and future stock award exercise experience could result in a change in the assumptions used to value awards in the future and may result in a

material change to the fair value calculation of stock-based awards. This accounting guidance requires the recognition of the fair value of stock compensation in net income. Although every effort is made to ensure the accuracy of estimates and assumptions, significant unanticipated changes in those estimates, interpretations and assumptions may result in recording stock option expense that may materially impact the financial statements for each respective reporting period.

Long-Lived Assets

Property and equipment comprise a significant portion of our total assets. We evaluate the carrying value of property and equipment if impairment indicators are present or if other circumstances indicate that impairment may exist under authoritative guidance. The annual testing date is March 31. When management believes impairment indicators may exist, projections of the undiscounted future cash flows associated with the use of and eventual disposition of property and equipment are prepared. If the projections indicate that the carrying value of the property and equipment are not recoverable, we reduce the carrying values to fair value. These impairment tests are heavily influenced by assumptions and estimates that are subject to change as additional information becomes available.

Beneficial Conversion Feature of Convertible Notes Payable

The Company accounts for convertible notes payable in accordance with the guidelines established by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 470-20, *Debt with Conversion and Other Options* and Emerging Issues Task Force ("EITF") 00-27, *"Application of Issue No. 98-5 to Certain Convertible Instruments"*. A beneficial conversion feature ("BCF") exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of any attached equity instruments, if any related equity instruments were granted with the debt. In accordance with this guidance, the BCF of a convertible note is measured by allocating a portion of the note's proceeds to the warrants, if applicable, and as a reduction of the carrying amount of the convertible note equal to the intrinsic value of the conversion feature, both of which are credited to additional paid-in-capital. The Company calculates the fair value of warrants issued with the convertible note using the Black Scholes valuation model and uses the same assumptions for valuing any employee options in accordance with ASC Topic 718 *Compensation – Stock Compensation*. The only difference is that the contractual life of the warrants is used.

The value of the proceeds received from a convertible note is then allocated between the conversion features and warrants on a relative fair value basis. The allocated fair value is recorded in the financial statements as a debt discount (premium) from the face amount of the note and such discount is amortized over the expected term of the convertible note (or to the conversion date of the note, if sooner) and is charged to interest expense.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance that changes the accounting for leases and requires expanded disclosures about leasing activities. Under the new guidance, lessees will be required to recognize a right-of-use asset and a lease liability, measured on a discounted basis, at the commencement date for all leases with terms greater than twelve months. Lessor accounting will remain largely unchanged, other than certain targeted improvements intended to align lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The amended guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2018, and early application is permitted. The Company is currently evaluating the impact this guidance will have on its financial position and results of operations.

Management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

ITEM 8. FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and
Board of Directors GB Sciences, Inc.

We have audited the accompanying balance sheet of GB Sciences, Inc., as of March 31, 2017 and the related statements of operations, changes in stockholders' equity and cash flows for the year ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GB Sciences, Inc., as of March 31, 2017 and results of its operations and its cash flows for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financials have been prepared assuming the Company will continue as a going concern. As of March 31, 2017, the Company had accumulated losses of approximately \$35,255,000, has not generated any revenue. These factors and the need for additional financing in order for the Company to meet its business plan, raise substantial doubt about its ability to continue as a going concern. Management's plan to continue as a going concern is also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Soles, Heyn & Company LLP
West Palm Beach, Florida
July 12, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and

Board of Directors Growblox Sciences, Inc.

I have audited the accompanying balance sheet of Growblox Sciences, Inc., as of March 31, 2016, and the related statements of operations, changes in stockholders' equity and cash flows for the year ended March 31, 2016. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on our audits.

I conducted my audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor was I engaged to perform, an audit of its internal control over financial reporting. My audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Growblox Sciences, Inc. as of March 31, 2016 and results of its operations and its cash flows for each of the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 of the accompanying financial statements, the Company has not generated any revenue, has negative cash flows from operations, has incurred losses since inception, and has a negative working capital balance at March 31, 2016, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Patrick D. Heyn. CPA, P. A.

Atlantis, Florida

July 14, 2016

GB SCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

	<u>31-Mar-17</u>	<u>31-Mar-16</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$2,692,953	\$34,824
Accounts receivable	-	67,862
Inventory	89,037	-
Prepaid expenses	166,378	104,851
TOTAL CURRENT ASSETS	<u>2,948,368</u>	<u>207,537</u>
Property and Equipment, Net	8,642,677	1,953,048
Deposits and Prepayments	1,203,305	271,455
Other Assets	212,529	3,555
TOTAL ASSETS	<u><u>\$13,006,879</u></u>	<u><u>\$2,435,595</u></u>
CURRENT LIABILITIES:		
Accounts Payable	\$176,152	\$902,123
Accrued Interest	48,969	61,786
Accrued Liabilities	447,710	834,348
Notes Payable, net of unamortized discount of \$1 million and \$0.4 million at March 31, 2017 and March 31, 2016, respectively	2,734	463,532
TOTAL CURRENT LIABILITIES	<u>675,565</u>	<u>2,261,789</u>
Note Payable	155,312	2,148,556
Capital Lease Obligations	3,771,321	-
TOTAL LIABILITIES	<u>4,602,198</u>	<u>4,410,345</u>
Commitments and Contingencies (Note 11)		
STOCKHOLDERS' (DEFICIT)/ EQUITY:		
Common Stock, \$0.0001 par value, 200,000,000 shares authorized, 124,406,818 and 47,335,147 shares issued and outstanding at March 31, 2017 and March 31, 2016, respectively	12,441	4,733
Deferred Stock Compensation	2,332,328	2,240,662
Additional Paid In Capital	41,237,536	16,638,318
Accumulated Deficit	(35,255,045)	(20,779,860)
TOTAL GROWBLOX SCIENCES, INC. STOCKHOLDERS' (DEFICIT)/EQUITY	<u>8,327,260</u>	<u>(1,896,147)</u>
Non-controlling interest	77,421	(78,603)
TOTAL (DEFICIT)/EQUITY	<u>8,404,681</u>	<u>(1,974,750)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)/EQUITY	<u><u>\$13,006,879</u></u>	<u><u>\$2,435,595</u></u>

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

GB SCIENCES, INC. AND SUBSIDIARIES
STATEMENTS OF OPERATIONS

	For the Twelve Months Ended March 31,	
	2017	2016
NET REVENUE	\$ -	\$ -
GENERAL AND ADMINISTRATIVE EXPENSES	8,933,111	6,958,769
LOSS FROM OPERATIONS	(8,933,111)	(6,958,769)
OTHER INCOME (EXPENSE)		
Interest Expense	(901,134)	(105,204)
Other Income/(Expense)	(248,858)	(15,005)
Total other expense	(1,149,992)	(120,209)
NET LOSS	(10,083,103)	(7,078,978)
Net income/(loss) attributable to non-controlling interest	(173,273)	(307,643)
NET LOSS ATTRIBUTABLE TO GROWBLOX SCIENCES, INC.	\$ (9,909,830)	\$ (6,771,335)
Net loss per share - basic and diluted	\$(0.13)	\$(0.15)
Weighted average common shares outstanding - basic and diluted	79,002,685	44,911,521

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

GROWBLOX SCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)

	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interest	Total
Balance at March 31, 2015	35,972,929	3,597	12,324,723	(14,008,525)	(250,960)	(1,931,165)
Issuance of stock for debt conversion	2,219,750	222	939,132	-	-	939,354
Exercise of warrants for stock	9,119,135	912	1,505,495	-	-	1,506,407
Issuance of restricted stock	1,882,400	188	206,310	-	-	206,499
Exercises of stock options	100,000	10	16,990	-	-	17,000
Share based compensation expense	-	-	3,645,079	-	-	3,645,079
Cancellation of restricted stock	(2,292,400)	(229)	(257,165)	-	-	(257,394)
Issuance of stock for cash	333,333	33	99,967	-	-	100,000
Beneficial conversion feature on notes payable			398,449	-	-	398,449
Contributions from non-controlling interest	-	-	-	-	480,000	480,000
Net Loss	-	-	-	(6,771,335)	-	(6,771,335)
Loss attributable to non-controlling interest	-	-	-	-	(307,643)	(307,643)
Balance at March 31, 2016	47,335,147	4,733	18,878,818	(20,779,860)	(78,603)	(1,974,914)
Issuance of stock for debt conversion	15,760,165	1,576	3,688,319	-	-	3,689,895
Exercise of warrants for stock	25,606,171	2,561	5,118,673	-	-	5,121,234
Issuance of stock for services	916,300	92	464,396	-	-	464,488
Issuance of common stock to settle payables	1,991,943	199	640,763	-	-	640,962
Share based compensation expense	-	-	1,574,145	-	-	1,574,145
Issuance of warrants	-	-	1,824,973	-	-	1,824,973
Issuance of stock for cash, net of issuance costs	29,872,500	2,987	4,623,084	-	-	4,626,071
Beneficial conversion feature on notes payable	-	-	1,315,500	-	-	1,315,500
Contributions from non-controlling interest	-	-	-	-	329,296	329,296
Induced Dividend from warrant exercises	-	-	4,565,353	(4,565,353)	-	-
Stock issued to settle legal obligations	1,600,000	160	410,840	-	-	411,000
Stock issued for modification of notes payable	1,000,000	100	359,900	-	-	360,000
Stock issued to employees	266,345	27	85,853	-	-	85,880
Compensation Warrants	58,247	6	19,247	-	-	19,253
Net Loss	-	-	-	(9,909,830)	-	(9,909,830)
Net income/(loss) attributable to non-controlling interest	-	-	-	-	(173,272)	(173,272)
Balance at March 31, 2017	124,406,818	12,441	43,569,864	(35,255,043)	77,421	8,404,681

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

GB SCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended March 31,	
	2017	2016
OPERATING ACTIVITIES:		
NET LOSS	\$(10,083,103)	\$(7,078,978)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	415,979	177,122
Stock-based compensation	4,328,497	1,828,616
Amortization of debt discount and beneficial conversion feature	530,484	43,122
Loss on debt conversion	248,858	-
Loss on disposal	5,572	-
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(82,702)	67,660
Accounts payable	61,906	641,379
Accrued expenses	105,514	757,071
Net cash used in operating activities	<u>(4,468,995)</u>	<u>(3,564,008)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,052,270)	(881,595)
Change in deposits	(1,144,053)	22,465
Net cash used in investing activities	<u>(4,196,323)</u>	<u>(859,130)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock and warrants	9,749,465	1,479,688
Proceeds from non-controlling interest	329,134	480,000
Proceeds from convertible notes	1,620,305	2,204,872
Payments under long-term obligations	(375,457)	-
Cash used to purchase warrants	-	(56,000)
Other financing activities	-	349,402
Net cash provided by financing activities	<u>11,323,447</u>	<u>4,457,962</u>
Net change in cash and cash equivalent	<u>2,658,129</u>	<u>34,824</u>
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	<u>34,824</u>	<u>-</u>
CASH AND CASH EQUIVALENT AT END OF PERIOD	<u><u>\$ 2,692,953</u></u>	<u><u>\$ 34,824</u></u>
Non-cash transactions:		
Stock issued to settle payables	\$ 590,777	\$ 377,735
Stock issued to upon conversion of long-term note payable	\$ 3,688,319	\$ -
Stock issued to settle legal obligations	\$ 460,840	\$ -
Capital lease obligation	\$ 3,900,000	\$ -

Stock and warrants issued upon amendment of long-term note payable	\$ 875,663	\$ -
Induced Dividend from Warrant Exercises	\$ 4,565,192	\$ -

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

Note 1 - Background and Basis of Presentation

Background

The Company seeks to be an innovative technology and solution company that converts the cannabis plant into medicines, therapies and treatments for a variety of ailments. The Company is developing and utilizing state of the art technologies in plant biology, cultivation and extraction techniques, combined with biotechnology, and plans to produce consistent and measurable medical-grade cannabis, cannabis concentrates and cannabinoid therapies. We were incorporated in the State of Delaware on April 4, 2001, under the name “Flagstick Venture, Inc.” On March 28, 2008, stockholders owning a majority of our outstanding common stock approved changing our then name “Signature Exploration and Production Corp.” as our business model had changed.

On March 13, 2014, we entered into a definitive assets purchase agreement for the acquisition of assets, including the Growblox™ cultivation technology which resulted in a change in our corporate name on April 4, 2014, from Signature Exploration and Production Corporation to Growblox Sciences, Inc.

Effective December 12, 2016, the Company amended its Certificate of Corporation pursuant to shareholder approval as reported in the Form 8-K filed on October 14, 2016. Pursuant to the amendment the Company’s name was changed from Growblox Sciences, Inc. to GB Sciences, Inc.

Recent Developments

The Company is cultivating cannabis using innovative, but conventional methods in its wholly owned subsidiary, GB Sciences Nevada, LLC (“GBSN”). On January 4, 2017, GBSN received a State Registration Certificate (“Certificate”) for its 28,000-sq. ft. cannabis cultivation facility located in Las Vegas, NV. The receipt of the Certificate allows the Company to cultivate medical cannabis. Phase 1 of the GBSN cultivation facility opened with 200 grow lights. When all phases of construction are completed, the facility is expected to generate revenues approximately of \$10 million. Completion of all Phases of this facility is dependent upon the availability of capital to complete construction. The Company has made completion of all Phases of this facility its number one priority.

On October 4, 2016, we acquired a 60% interest in a Nevada Medical Marijuana Production License with an option of up to 80%. A production license enables us to convert cannabis plants into oils and extracts that are suitable for creating medical compounds as well as consumer products. This license is critical and essential to our plan of producing cannabis-based medicines, and must be integrated into our cultivation facility to ensure quality control standards and efficiency in our production of cannabis medicines.

On March 31, 2017, we entered into an agreement with Arizona-based company, Kush Cups, to produce cannabis-infused products in the state of Nevada. Cannabis for production will be grown in our Cultivation Labs facility in Las Vegas, NV. We will distribute cannabis-infused Keurig-compatible K-Cups, hot and cold brew coffees as well as infused teas.

We expect our products to compete well in the marketplace because of the considerable efforts we have made in the plant genetics and tissue culturing of our proprietary strains of cannabis. And, we are the exclusive Nevada grower of Kyle Kushman's proprietary marijuana strains which have been highly rated top sellers in California.

The current emphasis on near-term cash flow allows us to plan for exploiting the potential of our science assets. We recently formed Growblox Life Sciences, LLC and have retained Fenwick & West, a Silicon Valley based law firm focusing on life sciences and high technology companies with a nationally top-ranked intellectual property practice, to development strategies for the protection of the Company's intellectual property. On October 11, 2016, we filed the first of several planned patent applications for life science inventions by its wholly-owned subsidiary, Growblox Life Sciences, LLC. The current provisional patent application covers complex-cannabinoid-containing mixtures capable of enhancing dopamine secretion and protecting neurons from the mitochondria-induced free radical damage that occurs during disease progression in the brains of patients with Parkinson's disease, Alzheimer's disease, Lewy Body Dementia, and Huntington's disease, among others. At this time, the Company plans to seek

partners in the pharmaceutical industry or alternatively venture funding to advance these cannabis-based formulations to clinical testing and commercialization.

On December 13, 2016, Growbiox Life Sciences, LLC licensed intellectual property from Makai Biotechnology, LLC. The patent underlying the license was issued by the USPTO in July of 2015, and claims therapeutic methods for the treatment of cardiac hypertrophy and associated pathologies through regulation of the cannabinoid receptor, TRPV1. TRPV1 can be regulated therapeutically by plant-based cannabinoids, which creates a plethora of potentially new therapeutic agents for the treatment of cardiac hypertrophy and heart failure. Licensing this TRPV1 patent underscores the Company's drug discovery commitment to targeting the non-classical cannabinoid receptors, beyond the usual CB1 and CB2 receptors

On February 1, 2017, we filed second patent application for the Treatment of Chronic Arthritis, Crohn's Disease, Inflammatory Bowel Disease, and Asthma; Proprietary Cannabinoid-Containing Complex Mixtures for the Treatment of Inflammatory Disorders. The current provisional patent application covers cannabinoid-containing complex mixtures ("CCCM") capable of preventing and treating a spectrum of inflammatory disorders. The application focuses on the use of CCCM to disrupt the signaling pathways in certain immune cells that lead to the initiation and maintenance of inflammatory responses. Both common and uncommon inflammatory disorders, ranging from chronic arthritis to acute responses to insect stings, are likely to be effectively targeted by this therapeutic approach.

On May 23, 2017, we filed third patent application for the treatment of chronic pain and heart therapies based on myrcene-containing complex mixtures ("MCCM"). The current provisional patent application covers myrcene-containing complex mixtures capable of targeting the non-traditional cannabinoid receptor, TRPV1. Our latest patent application complements the issued TRPV1 patent that GB Sciences licensed from Makai Biotechnology in December of 2016.

Note 2 - Going Concern

The Company's financial statements have been prepared assuming the Company will continue as a going concern. The Company has sustained net losses since inception. For the years ended March 31, 2017 and 2016, the Company sustained net losses of approximately \$9.9 million and \$6.8 million respectively, and had an accumulated deficit of approximately \$35.3 million and \$20.8 million respectively. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

Management has been able, thus far, to finance the losses through a public offering, private placements and obtaining operating funds from stockholders. The Company is continuing to seek sources of financing. There are no assurances that the Company will be successful in achieving its goals.

In view of these conditions, the Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing or capital sources, to meet its financing requirements, and ultimately to achieve profitable operations. Management believes that its current and future plans provide an opportunity to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that may be necessary in the event the Company is unable to continue as a going concern.

Note 3 - Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

We prepare our consolidated financial statements in accordance with generally accepted accounting principles (GAAP) for the United States of America. Our consolidated financial statements include all operating divisions and majority owned subsidiaries, reported as a single operating segment, for which we maintain controlling interests. Intercompany accounts and transactions have been eliminated in consolidation. In our opinion, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation of the financial statements, have been included.

Certain reclassifications have been made to the comparative period amounts in order to conform to the current period presentation. These reclassifications had no effect on the reported financial position, results of operations or cash flows.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company adopted ASC 820, Fair Value Measurements and Disclosures (ASC 820). ASC 820 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying value of cash, accounts receivable, accounts payables and accrued expenses are estimated by management to approximate fair value primarily due to the short-term nature of the instruments.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Trade accounts receivable are periodically evaluated for collectability.

Inventory

We value our inventory at the lower of the actual cost of our inventory, as determined using the first-in, first-out method, or its current estimated market value. We periodically review our physical inventory for excess, obsolete, and potentially impaired items and reserve accordingly. Our reserve estimate for excess and obsolete is based on expected future use..

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets: 3-8 years for machinery and equipment, leasehold improvements are amortized over the shorter of the estimated useful lives or the underlying lease term. Repairs and maintenance expenditures which do not extend the useful lives of related assets are expensed as incurred.

Long-Lived Assets

Property and equipment comprise a significant portion of our total assets. We evaluate the carrying value of property and equipment if impairment indicators are present or if other circumstances indicate that impairment may exist under authoritative guidance. The annual testing date is March 31. When management believes impairment indicators may exist, projections of the undiscounted future cash flows associated with the use of and eventual disposition of property and equipment are prepared. If the projections indicate that the carrying value of the property and equipment are not recoverable, we reduce the carrying values to fair value. These impairment tests are heavily influenced by assumptions and estimates that are subject to change as additional information becomes available.

Beneficial Conversion Feature of Convertible Notes Payable

The Company accounts for convertible notes payable in accordance with the guidelines established by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 470-20, *Debt with Conversion and Other Options* and Emerging Issues Task Force ("EITF") 00-27, *"Application of Issue No. 98-5 to Certain Convertible Instruments"*. A beneficial conversion feature ("BCF") exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of any attached equity instruments, if any related equity instruments were granted with the debt. In accordance with this guidance, the BCF of a convertible note is measured by allocating a portion of the note's proceeds to the warrants, if applicable, and as a reduction of the carrying amount of the convertible note equal to the intrinsic value of the conversion feature, both of which are credited to additional paid-in-capital. The Company calculates the fair value of warrants issued with the convertible note using the Black Scholes valuation model and uses the same assumptions for valuing any employee options in accordance with ASC Topic 718 *Compensation – Stock Compensation*. The only difference is that the contractual life of the warrants is used.

The value of the proceeds received from a convertible note is then allocated between the conversion features and warrants on a relative fair value basis. The allocated fair value is recorded in the financial statements as a debt discount (premium) from the face amount of the note and such discount is amortized over the expected term of the convertible note (or to the conversion date of the note, if sooner) and is charged to interest expense.

Other Assets

Other assets primarily include security deposits on potential cultivation facilities in Las Vegas, Nevada and a deposit to Louisiana State University ("LSU") AgCenter related to our application for the LSU's medical marijuana program.

Revenue Recognition

Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. Revenue will be recorded net of discount, rebates, promotional adjustments, price adjustments and estimated returns and upon transfer of title and risk to the customer which occurs at shipment (F.O.B. terms). Upon shipment, the Company has no further performance obligations and collection is reasonably assured as the majority of sales are paid for prior to shipping.

Research and Development Costs

Research and development costs are expensed as incurred.

Equity-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718) and Equity-Based Payments to Non-employees pursuant to ASC 505-50 (ASC 505-50). The computation of the expense associated with stock-based compensation requires the use of a valuation model. The FASB issued accounting guidance requires significant judgment and the use of estimates, particularly surrounding Black-Scholes assumptions such as stock price volatility, expected option lives, and expected option

forfeiture rates, to value equity-based compensation. We currently use a Black-Scholes option pricing model to calculate the fair value of our stock options. We primarily use historical data to determine the assumptions to be used in the Black-Scholes model and have no reason to believe that future data is likely to differ materially from historical data. However, changes in the assumptions to reflect future stock price volatility and future stock award exercise experience could result in a change in the assumptions used to value awards in the future and may result in a material change to the fair value calculation of stock-based awards. This accounting guidance requires the recognition of the fair value of stock compensation in net income. Although every effort is made to ensure the accuracy of our estimates and assumptions, significant unanticipated changes in those estimates, interpretations and assumptions may result in recording stock option expense that may materially impact our financial statements for each respective reporting period.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in financial statements or tax returns. Deferred tax items are reflected at the enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Due to the uncertainty regarding the success of future operations, management has valued the deferred tax asset allowance at 100% of the related deferred tax assets.

Loss per Share. The Company's basic loss per share has been calculated using the weighted average number of common shares outstanding during the period. The Company has 39,882,413 and 27,558,334 potentially dilutive common shares at March 31, 2017 and 2016, respectively. However, such common stock equivalents were not included in the computation of diluted net loss per share as their inclusion would have been anti-dilutive

Note 4 – Capital Lease

In July, 2016, an entity associated with Pacific Leaf Partners, LLC completed the purchase of the building housing the Company's cultivation facility at 3550 W. Teco Ave., Las Vegas, NV. In connection with the purchase, the Company entered into the Amended Lease Agreement for an initial term of ten and a half years with one option to extend the lease for five years, or until December 31, 2030. The monthly rent payments per the Amended Lease Agreement are \$40,000 through December 31, 2017. Commencing January 1, 2018, the monthly rent payments will increase by 3% per annum through the expiration of the lease. The Company analyzed the transaction in accordance with the applicable accounting guidance determining that the aggregate amount of \$3.9 million met the requirements for capitalization. The building has been capitalized and is included in property and equipment, net balance with related obligations included as part of current and non-current liabilities. The obligation recorded is based upon the present value of the future minimum lease payment discounted at 11.6% interest rate.

Note 5 – Note Payable

The Company entered into a Note Purchase Agreement, dated May 12, 2015 and effective as of June 8, 2015, with Pacific Leaf Ventures, LP ("Pacific Leaf"), pursuant to which Pacific Leaf has made installment loans (the "Loans") to the Company in the aggregate amount of \$1.75 million. The purpose of the financing is to provide for the acquisition and installation of an operating facility, equipment and other tangible assets by GB Sciences Nevada, LLC ("GBSN"). Such facility and equipment was dedicated to the cultivation of cannabis and the extraction of oils

and other constituents present in cannabis, subject at all times to Nevada legal requirements. The note is convertible at the option of the holder into common shares at a conversion price of \$0.50, subject to anti-dilution adjustments. To evidence the Loans, the Company issued to Pacific Leaf a 6% senior secured convertible promissory note (the "Note"), bearing interest at the rate of 6% per annum, payable quarterly. All outstanding principal and interest due under the Note were due and payable on May 12, 2020. The Company was required to prepay the outstanding principal amount of the Note on a quarterly basis in an amount equal to 50% of the cash flow (accrued EBITDA) of GBSN attributable to our percentage interest in GBSN no later than the earlier to occur of (a) the fifth (5th) business day following receipt of a distribution of the Company's Share of GBSN's EBITDA for the calendar quarter in question, or (b) thirty (30) days following the end of the calendar quarter in question, with the first such prepayment to be made not later than July 31, 2015 with respect to the quarter ending June 30, 2015. In order to induce the

Pacific Leaf to extend the loan to the Company and to secure the payment and performance of all of the Secured Obligations, the Company agreed to grant Pacific Leaf a security interest in certain of its assets and enter into the lending agreement.

On February 8, 2016, the Company entered into the Amended and Restated 6% Senior Convertible Promissory Note ("Amended Note") with Pacific Leaf. The amended agreement modifies the 6% Senior Secure Convertible Promissory Note dated May 12, 2015 and effective as of June 8, 2015, in the principal amount of \$1.75 million. Per the terms of the amended agreement, Pacific Leaf may make up to \$1.0 million in additional advances to the Company under the Amended Note bringing the total in the aggregate to \$2.75 million. The note is convertible at the option of the holder into common shares at a conversion price of \$0.25, subject to anti-dilution adjustments. The Company has an option to prepay the Amended Note, without premium or penalty, in whole or in part, with accrued interest to the date of such prepayment.

Until the payment in full of the Amended Note, Pacific Leaf or its designee have the option (the "Option") to purchase up to a 20% membership interest in GBSN for a purchase price equal to \$100,000 for each 2% of membership interest purchased (i.e., \$1,000,000 if the Option is exercised in full), provided that the Option may not be exercised for less than a 1% membership interest in GBSN.

In connection with the Amended Note, the Company also entered into the Amended and Restated Royalty Agreement with Pacific Leaf dated and effective as of February 8, 2016. Per the terms of the Amended Royalty Agreement, the royalty rate at any time shall equal to the sum of (i) 9.1%, and (ii) the percentage calculated by dividing the amount advanced in excess of \$1.75 million by \$1.0 million, multiplied by the gross revenues of GBSN. On the earlier of (i) the seventh anniversary of the royalty payment date, or (ii) the date that all amounts outstanding under the Amended Note have been paid in full, the royalty rate shall be reduced by 50%.

On June 13, 2016, the Company received notice from the Pacific Leaf that it had elected to convert \$500,000 of the Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory. Accordingly, the Company has issued 2,000,000 shares of its common stock (\$500,000 converted at a price of \$0.25 per share) to Pacific Leaf and the Company's indebtedness pursuant to the Note was reduced by \$500,000.

On August 4, 2016, the Company entered into the Second Omnibus Amendment ("Second Amendment") of its existing agreements with Pacific Leaf. The Second Amendment eliminates Pacific Leaf's option to purchase up to a 20% membership interest in GBSN and reduces Pacific Leaf's existing royalty rate to 16.4% of the gross sales revenue of GBSN. It also caps maximum aggregate royalty payments to be made to Pacific Leaf at \$2,420,000 with respect to any calendar year. In consideration of the amended terms, Pacific Leaf and its designees received 1,000,000 shares of the Company's common stock and a five-year warrant to purchase 1,500,000 shares of the Company's common stock at \$0.36 per share resulting in related expense of approximately \$0.9 million.

On October 4, October 20, November 1, and November 10, 2016, the Company received notices the Pacific Leaf that it had elected to convert total of \$1,776,750 of the Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory. Accordingly, the Company has issued 7,107,000 shares of its common stock (\$1,776,750 converted at a price of \$0.25 per share) to Pacific Leaf and the Company's indebtedness pursuant to the Note was reduced by \$1,776,750.

On January 24, and February 22, 2017, the Company received additional notices from Pacific Leaf Ventures, LP ("Pacific Leaf") that it had elected to convert \$413,085 (\$317,938 in principal and \$95,145 in accrued interest) of

the Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory. Accordingly, the Company has issued 1,652,332 shares of its common stock (\$413,083 converted at a price of \$0.25 per share). As of March 31, 2017, the Company indebtedness pursuant to the Note was \$0.2 million.

Note 6 - Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the asset or, in the case of leasehold improvements amortized over the lesser of the useful life of the asset or the underlying lease term. We recorded depreciation expense of \$0.4 million and \$0.2 million for the fiscal years ended March 31, 2017 and March 31, 2016, respectively. Property and equipment is comprised of the following:

	March 31,	
	2017	2016
Computer and software	\$ 151,748	\$151,748
Machinery and equipment	981,130	641,898
Leaseholds	4,185,528	363,318
Construction in progress	83,812	1,043,042
Capital lease - building	3,900,000	-
	9,302,218	2,200,006
Less accumulated depreciation and amortization	(659,541)	(246,958)
Property and Equipment, Net	<u>\$8,642,677</u>	<u>\$1,953,048</u>

Note 7 – Income Taxes

At March 31, 2017 and 2016 respectively, the Company had net operating loss carryforwards for income tax purposes of approximately \$22,264,747 and \$13,213,260 available as offsets against future taxable income. The net operating loss carryforwards are expected to expire at various times from 2025 through 2037. Utilization of the Company's net operating losses may be subject to substantial annual limitation if the Company experiences a 50% change in ownership, as provided by the Internal Revenue Code and similar state provisions. Such an ownership change would substantially increase the possibility of net operating losses expiring before complete utilization.

The provision for income taxes is different than would result from applying the U.S. statutory rate to profit before taxes for the reasons set forth in the following reconciliation:

	2017	2016
Tax benefit computed at U.S. statutory rates	(3,377,374)	(2,263,566)
Increases (decreases) in taxes resulting from:		
Non-deductible items	(25,000)	(113,788)
Change in valuation allowance	3,421,580	2,388,354
State taxes	(19,206)	(11,000)
Total	<u>-</u>	<u>-</u>

The tax effects of the primary temporary differences giving rise to the Company's deferred tax assets and liabilities are as follows for the year ended March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Net operating loss carryforward	7,570,014	4,416,060
Depreciation and Amortization expense	(391,362)	(11,713)
Stock based compensation	792,991	761,825
Total deferred tax assets	<u>7,971,643</u>	<u>5,166,172</u>
Less valuation allowance	<u>(7,971,643)</u>	<u>(5,166,172)</u>
Net deferred tax asset	<u>-</u>	<u>-</u>

Because of the Company's lack of earnings history, the deferred tax assets have been fully offset by a valuation allowance. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during those periods that the temporary differences become deductible. The Company believes that the tax positions taken in its tax returns would be sustained upon examination by taxing authorities. The Company files income tax returns in the U.S. federal jurisdiction, and other required state jurisdictions. The Company's periodic tax returns filed in 2015 and, thereafter, are subject to examination by taxing authorities under the normal statutes of limitations in the applicable jurisdictions. During the year ended March 31, 2017 and 2016, the decrease in the deferred tax asset valuation allowance amounted to approximately \$2,805,471 and \$819,897, respectively.

Note 8 – Convertible Notes

In February 2016, the Company issued a short-term Promissory Note ("Note") with a face value of \$192,500 resulting in aggregate proceeds of \$175,000 reflecting a 9.1% original discount and a nominal rate of 10%. The Note is payable within one year of issuance and is convertible into 962,500 shares of the Company's common stock and 962,500 common stock purchase warrants at any time and from time to time before maturity at the option of the holder. Each warrant gives the Noteholder the right to purchase one share of common stock of the Company at an exercise price of \$0.50 per share for a period of three years. The beneficial conversion feature resulting from the discounted conversion price compared to the market price was calculated based on the date of issuance to be \$94,037 after adjusting the effective conversion price for the relative fair value of the note proceeds compared to the fair value of the attached warrants and note. In addition to this discount related to the beneficial conversion feature, an additional discount of \$66,912 was recorded based on the fair value of the 962,500 warrants attached to the note. This value was derived using the Black-Scholes valuation model.

In February, 2017, the Company received a notice from the Holder of the Short-Term Promissory Note ("Note") issued in February 2016 with face value of \$192,500. The Holder had elected to convert all of the Company's indebtedness into common stock of the Company pursuant to the Convertible Note Agreement. Accordingly, the Company had issued 965,500 shares of its common stock (\$192,500 converted at a price of \$0.20 per share).

In March 2016, the Company issued a short-term Promissory Note ("Note") with a face value of \$300,000 resulting in aggregate proceeds of \$250,000 reflecting a 16.67% original discount and a nominal rate of 20%. The Note is payable within one year of issuance and is convertible into 1,500,000 shares of the Company's common stock and 1,500,000 common stock to purchase warrants at any time and from time to time before maturity at the option of the

holder. Each warrant gives the Noteholder the right to purchase one share of common stock of the Company at an exercise price of \$0.50 per share for a period of three years. The beneficial conversion feature resulting from the discounted conversion price compared to the market price was calculated based on the date of issuance to be \$143,750 after adjusting the effective conversion price for the relative fair value of the note proceeds compared to the fair value of the attached warrants and note. In addition to this discount related to the beneficial conversion

feature, an additional discount of \$93,750 was recorded based on the fair value of the 1,500,000 warrants attached to the note.

In November, 2016, the Company received a notice that the Noteholder had elected to convert its \$300,000 Note into common stock of the Company pursuant to the Short-Term Convertible Note Agreement. Accordingly, the Company issued 1,500,000 shares of its common stock (\$300,000 converted at a price of \$0.20 per share) and a warrant to purchase 1,500,000 shares of the Company's common stock at the price of \$0.50 per share for the period of three years. As a result of the conversion, the Company recorded a loss of \$0.1 million.

In July 2016, the Company issued a short-term Promissory Note ("Note") resulting in aggregate proceeds of \$500,000. The Note is payable within one year of issuance and is convertible into 2,500,000 shares of the Company's common stock at any time and from time to time before maturity at the option of the holder. The beneficial conversion feature resulting from the discounted conversion price compared to the market price was calculated based on the date of issuance to be \$350,000 after adjusting the effective conversion price for the relative fair value of the note proceeds compared to the fair value of the Note.

In January, 2017, the Company received a notice from the Holder of the Short-Term Promissory Note ("Note") issued in July 2016 with face value of \$500,000. The Holder had elected to convert \$500,000 of the Company's indebtedness into common stock of the Company pursuant to the Convertible Note Agreement. Accordingly, the Company had issued 2,538,333 shares of its common stock (\$500,000 principal and \$38,333 accrued interest converted at a price of \$0.20 per share). As a result of the conversion, the Company recorded a loss of \$0.2 million.

In March 2017, the Company issued short-term Promissory Notes ("Notes") to various holders with combined face value of \$965,500. The Notes are payable within three years of issuance and are convertible into 3,862,000 shares of the Company's common stock and 3,862,000 common stock purchase warrants at any time and from time to time before maturity at the option of the holder. Each warrant gives the Noteholder the right to purchase one share of common stock of the Company at an exercise price of \$0.60 per share for a period of three years. The beneficial conversion feature resulting from the discounted conversion price compared to the market price was calculated based on the date of issuance to be \$416,733 after adjusting the effective conversion price for the relative fair value of the note proceeds compared to the fair value of the attached warrants and note. In addition to this discount related to the beneficial conversion feature, an additional discount of \$548,767 was recorded based on the fair value of the warrants attached to the note. This value was derived using the Black-Scholes valuation model.

The Notes and Warrants were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 (the "Securities Act") and/or Rule 506 of Regulation D under the Securities Act, as amended.

Note 9 – Capital Transactions

Sale of Common Stock and Warrants

During the year ended March 31, 2017, the Company issued an aggregate 15,760,165 shares of common stock as a result of debt conversions as follows:

- The Company issued an aggregate 10,759,332 shares of its common stock at the conversion price of approximately \$0.25 per share to Pacific Leaf as a result of a conversion of \$2,689,835 of debt outstanding pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory.

- The Company issued 5,000,833 shares of its common stock as a result of conversions of the following Short-Term Promissory Notes:
 - In February, 2017, the Company received a notice from the Holder of the Short-Term Promissory Note (“Note”) issued in February 2016 with face value of \$192,500. The Holder had elected to convert all of the Company’s indebtedness into common stock of the Company pursuant to the

Convertible Note Agreement. Accordingly, the Company had issued 965,500 shares of its common stock (\$962,500 converted at a price of \$0.20 per share).

- In November, 2016, the Company received a notice that the Noteholder had elected to convert its \$300,000 Note into common stock of the Company pursuant to the Short-Term Convertible Note Agreement. Accordingly, the Company issued 1,500,000 shares of its common stock (\$300,000 converted at a price of \$0.20 per share) and a warrant to purchase 1,500,000 shares of the Company's common stock at the price of \$0.50 per share for the period of three years. As a result of the conversion, the Company recorded a loss of \$0.1 million.
- In January, 2017, the Company received a notice from the Holder of the Short-Term Promissory Note ("Note") issued in July 2016 with face value of \$500,000. The Holder had elected to convert \$500,000 of the Company's indebtedness into common stock of the Company pursuant to the Convertible Note Agreement. Accordingly, the Company had issued 2,538,333 shares of its common stock (\$500,000 principal and \$38,333 accrued interest converted at a price of \$0.20 per share). As a result of the conversion, the Company recorded a loss of \$0.2 million.

In order to encourage the exercise of the 15,512,500 warrants issued to investors in private offering dated December 2, 2015 and the 15,000,000 warrants issued to investors in private offering dated August 26, 2016, the Company effected a temporary decrease, until March 31, 2017, in the exercise price of the warrants from \$0.50 and \$0.60, respectfully, to \$0.20 per share. As a result of the price reduction, total of 25,606,171 million warrants were exercised resulting in net proceeds of approximately \$4.6 million. As a result of the decrease in the exercise price of the warrants, the Company also recorded an induced dividend of \$4.6 million.

On August 4, 2016, the Company entered into the Second Omnibus Amendment ("Second Amendment") of its existing agreements with Pacific Leaf. The Second Amendment eliminates Pacific Leaf's option to purchase up to a 20% membership interest in GBSN and reduces Pacific Leaf's existing royalty rate to 16.4% of the gross sales revenue of GBSN. It also caps maximum aggregate royalty payments to be made to Pacific Leaf at \$2,420,000 with respect to any calendar year. In consideration of the amended terms, Pacific Leaf and its designees received 1,000,000 shares of the Company's common stock and a five-year warrant to purchase 1,500,000 shares of the Company's common stock at \$0.36 per share resulting in related expense of approximately \$0.9 million. During the year ended March 31, 2017, the Company issued an aggregate 1,600,000 shares of common stock to settle the following legal obligations:

- On August 9, 2016, the Company finalized a settlement agreement in final disposition of the lawsuit filed by the Company on April 2, 2014, in the United States District Court for the Southern District of New York. The Company issued 1,400,000 shares of restricted common stock to certain non-affiliates of the Company and recorded a related expense of \$0.4 million.
- On August 19, 2015, Cathryn Kennedy, our former Chief Financial Officer, filed a Complaint against us in the District Court in Clark County, Nevada alleging that she was assigned new duties by us which constituted a termination without cause effective July 24, 2015, and that as a consequence thereof she is entitled to severance, vacation pay and stock compensation from us pursuant to her Employment Agreement dated November 18, 2014. On April 8, 2016, the Company entered into a mutual agreement with Cathryn Kennedy per terms of which the Company issued 200,000 of its unrestricted common shares in exchange for a full dismissal with prejudice of all causes of action pending in the above-referenced Complaint.

During the year ended March 31, 2017, the Company sold an aggregate 29,872,500 shares of common stock through private placements as follows:

- The Company sold 14,847,500 units through a private placement at a price of \$0.20 per unit. Each unit consisted of one share of common stock and one common stock purchase warrant, expiring in three years, with an exercise price of \$0.50.
- The Company also sold 15,000,000 units through a private placement at a price of \$0.20 per unit. Each unit consisted of one share of common stock and one common stock purchase warrant, expiring in five years, with an exercise price of \$0.60. Lastly, the Company sold 25,000 shares of common stock to an

independent party at the price of \$0.51 per share. The Company recorded net proceeds of \$5.1 million as a result of these issuances.

The Company also issued 3,412,500 compensation warrants during the year ended March 31, 2017, as a result of the private offerings to a third-party brokerage firm and recorded a compensation expense of \$1.3 million. As of March 31, 2017, 58,247 of the compensation warrants were exercised. The Company recorded a related expense of \$0.02 million.

During the year ended March 31, 2017, the Company issued 1,991,943 shares of its commons stock to settle outstanding payables at total expense of \$0.6 million. The Company also issued 916,300 shares of its common stock for services provided by various third-party consultants and recorded a related expense of \$0.5 million. Lastly, the Company issued 266,345 shares of its common stock to its employees at total expense of \$0.1 million.

During the year ended March 31, 2016 the Company issued an aggregate of 3,387,750 shares of common stock in settlement and release of certain obligations owed by the Company to various persons and recorded related expenses of \$1.0 million, as follows:

- The Company issued 2,219,750 shares of restricted common stock in connection with the conversion of \$0.9 million in indebtedness owed by us to various persons at a conversion price of approximately \$0.30 per share.
- The Company issued 1,168,000 shares of restricted common stock as compensation for consulting services. The Company recorded approximately \$0.1 million in related compensation expense. The closing price of the Company's stock on the date of grant is used as the fair value for the issuances of restricted stock.
- The Company issued 714,400 shares of common stock to employees and recorded an expense of \$0.6 million.

During year ended March 31, 2016, the Company cancelled 2,292,400 shares of common stock of which 1,500,000 shares were cancelled due to employment termination, 292,400 shares represented shares erroneously issued and associated with unexercised options, 100,000 shares represented shares erroneously issued under an employment agreement, and 400,000 shares represented shares which were subject to forfeiture pursuant to the term of an employment agreement. The Company also modified and restructured certain employee agreements which resulted in a reclassification of previously recognized compensation obligations recorded as current and noncurrent obligations to equity.

The Company issued 333,333 shares of restricted common stock for aggregate consideration of \$100,000, or \$0.30 per share.

In order to encourage the exercise of its B warrants, on February 12, 2015, the Board of Directors of GB Sciences passed a resolution to temporarily reduce, until April 30, 2015, the exercise price of such B warrants from \$2.00 per share to \$0.20 per share, and the holders of the B warrants were notified of such temporary exercise price reduction. On April 30, 2015, the Company's Board of Directors extended to 5:00 PDT on May 15, 2015 the temporary voluntary reduction of the exercise price of the B Warrants to \$0.20 per share and notified the holders of the B Warrants. As a result of this incentive, B warrants to purchase 2,192,112 shares of common stock were exercised at \$0.20 per share, resulting in net proceeds of \$0.4 million.

On April 22, 2015, the Chief Executive Officer of Growblox Sciences Puerto Rico LLC, purchased 2,820,000 shares of common stock for \$0.6 million or \$0.21 per share. The Company agreed to register such common stock for resale under the Securities Act pursuant to a registration rights agreement. In addition, the Company sold 1,965,833 shares of common stock to investors for \$0.21 per share, resulting in total proceeds of \$0.4 million. The Company also issued 476,190 shares of common stock during the current period, the warrants of which were purchased in March 2015 for \$0.21 per share, or \$100,000.

Between February, 2015 and May 15, 2015, certain holders of B Warrants sold back to the Company for \$0.01 each, B warrants to purchase an aggregate of 1,600,000 shares of common stock. On April 27, 2015, two limited partnerships sold back to the Company for \$0.01 each, warrants to purchase a total of 4,000,000 warrants for a total of \$56,000.

In May 2015, Network 1 Financial Services and its affiliates exercised Class B warrants on a cashless basis and received a total of 1,000,000 shares of common stock.

Between December, 2015 and March, 2015, we sold 665,000 units through a private placement at a price of \$0.20 per unit. Each unit consisted of one share of common stock and one common stock purchase warrant, expiring in three years, with an exercise price of \$0.50.

All of the foregoing securities, including GB Sciences common stock, were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 (the “Securities Act”) and/or Rule 506 of Regulation D under the Securities Act, as amended.

Warrants Outstanding

Presented below is a summary of the Company’s warrant activity for the years ended March 31, 2017 and 2016:

	Warrants Outstanding	
	<u>Number of Shares</u>	<u>Exercise Price</u>
Outstanding at April 1, 2015	21,966,256	
Warrants issued	5,665,000	\$0.45-\$0.50
Warrants exercised	(7,977,945)	\$0.20-\$0.21
Warrants expired/cancelled	(337,977)	\$1.00-\$2.00
Outstanding at March 31, 2016	19,315,334	
Warrants issued	40,723,250	\$0.36-\$0.60
Warrants exercised	(25,606,171)	\$0.20
Warrants expired/cancelled	(1,500,000)	\$1.00
Outstanding at March 31, 2017	32,932,413	

All of the foregoing securities, including GB Sciences common stock, were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 (the “Securities Act”) and/or Rule 506 of Regulation D under the Securities Act, as amended.

Note 10 – Employee Benefit Plan

Share-Based Employee Compensation

On February 6, 2008, the Board of Directors adopted the GB Sciences, Inc. 2007 Amended Stock Option Plan (“2007 Plan”). Under the 2007 Plan, 8,000,000 shares of the Company’s restricted common stock may be issuable

upon the exercise of options issued to employees, advisors and consultants. The Company revised the plan and the Board of Directors adopted the new 2014 Equity Compensation Plan. On June 30, 2015, GB Sciences filed a Form S-8 Registration Statement with the SEC to register 8,500,000 shares of common stock issuable under stock options to grant to employees and consultants.

Compensation Expense

For the years ended March 31, 2017 and 2016, the Company recorded compensation expense of \$1.3 million and \$1 million respectively, related to employee stock options and restricted stock.

The unrecognized compensation cost, and weighted-average period over which the cost is expected to be recognized for non-vested awards as of March 31, 2016, are presented below:

	Unrecognized Compensation Cost (\$)	Weighted Average Period (years)
Stock Options	925,274	0.74
Total	925,274	0.74

Fair Value

The closing price of the Company's stock on the date of grant is used as the fair value for the issuances of restricted stock. The fair value of stock options granted is estimated as of the grant date using the Black-Scholes option pricing model.

The following range of assumptions in the Black-Scholes option pricing model was used to determine fair value at the years ended below:

	Twelve months ended	
	March 31, 2017	March 31, 2016
Weighted-average volatility	174.57%	190.44%
Expected term (in years)	10	10
Risk-free interest rate	1.07%	1.57%

Expected volatilities used for award valuation in 2017 and 2016 are based on the peer group volatility.

The risk-free interest rate for periods equal to the expected term of an award is based on a blended historical rate using Federal Reserve rates for U.S. Treasury securities.

Stock Options

A summary of option activity as of March 31, 2017 and 2016, and changes during the years then ended, is presented below:

	Options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (\$)
Outstanding at April 1, 2015	1,962,000	0.17		
Granted	1,400,000	0.24		
Exercised	(100,000)	0.17		
Forfeited	(762,000)	0.17		
Outstanding at March 31, 2016	2,500,000	0.25	9.23	15,075
Granted	5,050,000	0.30		
Exercised	-	-		
Forfeited	(600,000)	0.35		
Outstanding at March 31, 2017	6,950,000	0.26	8.05	627,890
Fully vested and expected to vest at March 31, 2017	4,035,556	0.27		403,793
Exercisable at March 31, 2017	4,035,556	0.27		403,793

Restricted stock awards

A summary of the status of the Company's non-vested restricted stock grants during the years ended March 31, 2017 and 2016 is presented below:

	Shares	Weighted Average Grant Date Fair Value (\$)
Balance at April 1, 2015	762,500	
Granted	270,000	
Vested	(283,333)	
Forfeited/Cancelled	(295,833)	
Non-vested at March 31, 2016	453,333	0.35
Granted	565,359	
Vested	(568,692)	
Forfeited/Cancelled	(450,000)	
Non-vested at March 31, 2017	-	

The total fair value of restricted stock that vested during the years ended March 31, 2017 and 2016 was \$0.2 million, and \$0.1 million, respectively.

Note 11 – Commitments and Contingencies***Growblox Sciences, Inc. v. GCM Administrative Services, LLC***

On April 2, 2014, the Company commenced an action in the United States District Court for the Southern District of New York captioned Signature Exploration and Production Corporation v. GCM Administrative Services, LLC, Strategic Turnaround Equity Partners, L.P. (Cayman), Seth M. Lukash, and Gary Herman, 14 Civ. 02280 (ER) (the “Action”). After the change of name of Signature Exploration and Production Corporation, the caption was amended to substitute Growblox Sciences, Inc. as the plaintiff. The complaint in the Action sought a declaratory judgment that neither Lukash nor Herman was entitled to receive any interest in, including any shares of stock of, Growblox Sciences, Inc. pursuant to certain share conversion rights held under promissory notes in the aggregate amount of \$75,000, given by a related party of ours to the entity defendants GCM and Strategic.

On May 9, 2014, defendants filed an answer denying the complaint’s material allegations, and asserted a counterclaim against us, against persons identified as certain of our officers or directors, and against GrowOpp, LLC and Tumbleweed Holdings, Inc. On November 19, 2014, defendants filed an amended counterclaim, including a prayer for monetary relief or damages in the sum of \$9 million. The Company moved to dismiss the counterclaim and by opinion dated June 2, 2015, the Court granted the motion in part and dismissed counts one and two (for declaratory judgment as to an alleged partnership or joint venture, and for breach of fiduciary duty predicated upon those allegations), and denied the motion in part, leaving counts three and four of the counterclaim standing. The Court viewed the third and fourth claims as a single claim for unjust enrichment, in which recovery would be based on quantum merit, that is, upon the alleged value of any benefit conferred by defendants to us through alleged work and services rendered. In view of the fact that the pleading did not assign a particular value to that claim we are unable at present to advise what specific sum of money damages is sought. The Company did not challenge the fifth count of the counterclaim at this stage that seeks damages of \$75,000 for alleged non-payment of the above-referenced promissory notes.

On August 9, 2016, the Company finalized a settlement agreement in final disposition of the lawsuit filed by the Company on April 2, 2014, in the United States District Court for the Southern District of New York. The Company issued 1,400,000 shares of restricted common stock to certain non-affiliates of the Company and recorded a related expense of \$0.4 million.

Cathryn Kennedy Complaint Settlement

On August 19, 2015, Cathryn Kennedy, our former Chief Financial Officer, filed a Complaint against us in the District Court in Clark County, Nevada alleging that she was assigned new duties by us which constituted a termination without cause effective July 24, 2015, and that as a consequence thereof she is entitled to severance, vacation pay and stock compensation from us pursuant to her Employment Agreement dated November 18, 2014.

On April 8, 2016, the Company entered into a mutual agreement with Cathryn Kennedy per terms of which the Company issued 200,000 of its unrestricted common shares valued at \$40,000 in exchange for a full dismissal with prejudice of all causes of action pending in the above-referenced Complaint.

General

From time to time, the Company may also become involved in certain legal proceedings and claims which arise in the ordinary course of business. In our opinion, based on consultations with outside counsel, the results of any of

these ordinary course matters, individually and in the aggregate, are not expected to have a material effect on our results of operations, financial condition, or cash flows. As more information becomes available, if management should determine that an unfavorable outcome is probable on such a claim and that the amount of such probable loss that it will incur on that claim is reasonably estimable, the Company will record a reserve for the claim in question. If and when such a reserve is recorded, it could be material and could adversely impact the Company's results of operations, financial condition, and cash flows.

Note 12 – Other Assets

Other assets balances were \$1.2 million and \$0.3 million at March 31, 2017 and March 31, 2016, respectively. The increase in other assets is primarily due to \$1 million deposit related to our application to the Louisiana State University (“LSU”) AgCenter to be the sole operator of the LSU’s medical marijuana program.

Note 13 - Related Party Transactions

During the fiscal year ended March 31, 2017, the Company entered into a consulting contract with Quantum Shop, a Company owned by a relative of one of the Company’s executives. Per the terms of the agreement, Quantum Shop is to provide GB Sciences with research, design, development, fabrication, and production services. During the year ended March 31, 2017, the Company made a payment of \$50,000 to the Quantum Shop in relation to the services provided.

In March 2017, the Company entered into an advisory agreement with Electrum Partners, LLC, a company whose President resides on GB Sciences’ Board of Directors and serves as a Chair of the Audit Committee. Per the terms of the agreement, Electrum Partners shall be compensated \$5,000 monthly with the initial payment due upon the execution of the consulting agreement. Electrum Partners is also to receive an additional \$10,000 each month in restricted stock. The agreement has a term of one year and is renewable for a successive one year period. During the year ended March 31, 2017, the Company made payments totaling \$10,000 to the Company and issued 34,996 shares of its restricted stock.

Note 14 – Subsequent Events***Pacific Leaf Note Conversion Notice***

On May 12, 2017, the Company received notice from Pacific Leaf Ventures, LP (“Pacific Leaf”) that it had elected to convert \$184,805 (\$154,805 principal and \$30,000 accrued interest) of the Company’s indebtedness to Pacific Leaf Note into common stock of the Company pursuant to the Amended and Restated 6% Senior Secured Convertible Promissory. Accordingly, the Company has issued 739,220 shares of its common stock (\$184,805 converted at a price of \$0.25 per share) to Pacific Leaf and the Company’s indebtedness to Pacific Leaf pursuant to the Note has been reduced by \$184,805.

Management and Board of Directors Changes

Effective May 8, 2017, Mr. Craig Ellins retired from the Company and in connection therewith, resigned his positions of Director and Chairman of the Board of Directors and his position of Chief Innovation Officer for the Company. John Poss, who replaced Mr. Ellins last year as CEO, will now also serve as Chairman of the Board. Leslie Bocskor, who previously services as independent director will now serve as Vice Chairman of the Board.

Louisiana State University

On June 15, 2017 GB Sciences had been selected by the Louisiana State University (“LSU”) AgCenter to be the sole operator of the LSU’s medical marijuana program. The LSU Board of Supervisors will enter into a five-year

agreement—that has an option to renew for two additional five-year terms—with GB Sciences.

The contract will include a minimum guaranteed financial contribution of \$3.4 million, or a 10% commission of gross receipts, to the LSU AgCenter. It also requires GB Sciences to make annual research investment of \$500,000 to the LSU AgCenter.

The monetary contributions would be used to conduct research on plant varieties, compounds, extraction techniques and delivery methods that could generate additional revenue through discoveries that are subject to intellectual property rights. AgCenter would retain 50% of those rights.

The awarding of the final contract is contingent upon securing of a Louisiana based financial institution and the final approval by the Louisiana State Board of Supervisors.

Compensation Warrant Exercises

Subsequently to March 31, 2017, the Company issued 2,191,994 shares of its common stock to a third-party brokerage firm as a result of a cashless exercise of 2,281,000 compensation warrants at the exercise price of \$0.01 per share.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

On June 21, 2017, the Company retained Soles, Heyn & Company, LLP, as its principal independent registered public accounting firm. This changed engagement was necessary due to the recent merger of our former registered public accounting firm, Patrick D. Heyn, CPA, P.A. with Soles, Heyn & Company, LLP. During the Company's two most recent fiscal years and to the date of this report, the Company has not consulted with Soles, Heyn & Company, LLP regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements and either a written report was provided to the Company or oral advice was provided to the Company that Soles, Heyn & Company, LLP, concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement and required to be reported under Item 304(a)(1)(iv) of Regulation S-K and the related instructions thereto. Item 401(a) is not applicable since there was no resignation or dismissal of the registrant's certifying accountant involved in this merger of accounting firms.

There were no other changes in or disagreements with and no other changes in the accountants on accounting and financial disclosure during the last two fiscal years.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended ("Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits 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. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded as of March 31, 2017 that disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in internal controls over financial reporting discussed below.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The evaluation of internal control over financial reporting includes using the COSO framework, an integrated framework for the evaluation of internal controls issued by the Committee of Sponsoring Organizations of the Treadway

Commission, to identify the risks and control objectives related to the evaluation of the control environment. The internal controls for the Company are provided by executive management's review and approval of all transactions. Internal control over financial reporting also includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with the authorization of management; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of internal control over financial reporting as of March 31, 2017. This annual report does not include an attestation report of registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permits us to provide only management's report in this annual report.

Identified Material Weaknesses

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. The matters involving internal controls over financial reporting that management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were ineffective controls over period end financial disclosure and reporting processes as no member of our board of directors qualifies as an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act.

Management's Remediation Initiatives

As a result of findings, we have begun to remediate the deficiencies. In an effort to remediate the identified material weaknesses and enhance internal controls, we have been evaluating possible candidates meeting definition of an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act. We anticipate our initiative will be at least partially implemented by March 31, 2018. Additionally, we plan to test the updated controls in order to remediate the deficiencies by March 31, 2018.

Conclusion

As a result of management's assessment of the effectiveness of internal control over financial reporting as of March 31, 2017, and the identification of the material weakness set forth above, management has concluded that the

internal control over financial reporting is not effective. It is reasonably possible that, if not remediated, the material weaknesses noted above, could result in a material misstatement in the reported financial statements that might result in a material misstatement in a future annual or interim period. In light of the identified material weakness and the conclusion that the internal controls over financial reporting are not effective, management will take the remediation initiatives set forth above. In addition, management performed (1) additional review of the area described above, and (2) performed additional analyses, including but not limited to a detailed balance sheet and statement of operations analytical review. These procedures were completed so management could gain assurance that the financial statements and schedules included in this Form 10-K fairly present, in all material respects, the financial position, results of operations and cash flows for the periods presented.

Changes in Internal Control over Financial Reporting

There were no changes were made during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect, internal control over financial reporting, as required by Rules 13a-15(d) and 15d-15(d) under the exchange Act.

ITEM 9B. OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The information required under this item will be included in our definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after March 31, 2017 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item will be included in our definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after March 31, 2017 and is incorporated herein by reference.

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

The information required under this item will be included in our definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after March 31, 2017 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required under this item will be included in our definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after March 31, 2017 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this item will be included in our definitive Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after March 31, 2017 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. GB Sciences, Inc. Condensed Consolidated Financial Statements (including related notes to Condensed Consolidated Financial Statements) filed in Part II of this report are listed below:

Report of Independent Registered Public Accounting Firm – Soles, Heyn & Company
Report of Independent Registered Public Accounting Firm – Patrick Heyn, CPA
Financial Statements:

Consolidated Balances Sheets as of March 31, 2017 and 2016

Consolidated Statements of Operations – Years ended March 31, 2017 and 2016

Consolidated Statements of Stockholders' Equity (Deficit) – Years ended March 31, 2017 and 2016

Consolidated Statements of Cash Flows – Years ended March 31, 2017 and 2016

Notes to the Consolidated Condensed Financial Statements

2. All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under related instructions or are inapplicable and therefore have been omitted.

3. Exhibits

No.	Description
3.1	Articles of Incorporation (Incorporated by reference to an exhibit to Form SB-2 No. 333-82580 filed with the Commission on February 12, 2002)
3.2	Amendment to Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to Form S-1/A No. 333-82580 filed with the Commission on October 6, 2014 and Exhibit 3.2 to Form 10-K No. 333-82580 filed with the Commission on June 27, 2014)
3.3	Bylaws (Incorporated by reference to an exhibit to Form SB-2 No. 333-82580 filed with the Commission on February 12, 2002)
10.1	2005 Restricted Stock Plan (Incorporated by reference to Annex A to Schedule 14A No. 333-82580 filed with the Commission on June 14, 2005)
10.2	2007 Restricted Stock Plan (Incorporated by reference to Exhibit 4.2 to Form S-8/POS No. 333-141467 filed with the Commission on February 8, 2008)
10.3	Amended Employment Agreement between Registrant and Craig Ellins dated June 19, 2014 (Incorporated by reference to Exhibit 10.3 to Form 10-K No. 333-82580 filed with the Commission on June 27, 2014)
10.4	Amended Employment Agreement between Registrant and Craig Ellins dated June 22, 2015 (Incorporated by reference to Exhibit 10.3 to Form 10-K No. 000-55462 filed with the Commission on June 29, 2015)
10.5	Amended Employment Agreement between Registrant and Andrea Small-Howard dated June 19, 2014 (Incorporated by reference to Exhibit 10.5 to Form 10-K No. 333-82580 filed with the Commission on June 27, 2014)
10.6	Employment Agreement between Registrant and John Poss dated August 10, 2015 (Incorporated by reference to Exhibit 10.1 to Form 10-Q No. 000-55462 filed with the Commission on November 18, 2015)
10.7	Operating Agreement of GB Sciences Nevada LLC (Incorporated by reference to Exhibit 10.4 to Form S-1/A No. 333-82580 filed with the Commission on October 6, 2014)
10.8	Asset Assignment, Acquisition and Professional Association Agreement with Craig Ellins (Incorporated by reference to Exhibit 10.1 to Form 8-K No. 333-82580 filed with the Commission on March 19, 2014)
10.9	2014 Equity Incentive Plan (Incorporated by reference to Exhibit 10.6 to Form S-1/A No. 333-198967 filed with the Commission on December 23, 2014)
10.10	Commercialization Agreement with Growblox Sciences Puerto Rico LLC (Incorporated by reference to Exhibit 10.1 to Form 8-K No. 333-82580 filed with the Commission on May 7, 2015)
10.11	Operating Agreement of Growblox Sciences Puerto Rico LLC (Incorporated by reference to Exhibit 10.2 to Form 8-K No. 333-82580 filed with the Commission on May 7, 2015)
10.12	Note Purchase Agreement between Growblox Sciences, Inc. and Pacific Leaf Ventures LP (Incorporated by

reference to Exhibit 10.1 to Form 8-K No. 333-82580 filed with the Commission on June 15, 2015)

- 10.13 \$1,750,000 6% senior secured convertible note issued to Pacific Leaf Ventures LP (Incorporated by reference to Exhibit 10.2 to Form 8-K No. 333-82580 filed with the Commission on June 15, 2015)
- 10.14 Security Agreement between GB Sciences Nevada LLC and Pacific Leaf Ventures LP (Incorporated by reference to Exhibit 10.3 to Form 8-K No. 333-82580 filed with the Commission on June 15, 2015)

- 10.15 Royalty Agreement between Growblox Sciences, Inc. and Pacific Leaf Ventures LP (Incorporated by reference to Exhibit 10.4 to Form 8-K No. 333-82580 filed with the Commission on June 15, 2015)
- 10.16 Warrant to purchase 5,000,000 shares of common stock issued to Craig Ellins (Incorporated by reference to Exhibit 10.8 to Form 10-K No. 000-55462 filed with the Commission on June 29, 2015)
- 10.17 Employment Agreement between Registrant and Sandra Tiffany dated August 14, 2015 (Incorporated by reference to Exhibit 10.2 to Form 10-Q No. 000-55462 filed with the Commission on November 18, 2015)
- 10.18 Separation Agreement dated August 17, 2015 between GBS Sciences Nevada, LLC and GBS Nevada Partners, LLC (Incorporated by reference to Exhibit 10.3 to Form 10-Q No. 000-55462 filed with the Commission on November 18, 2015)
- 10.19 Medical Marijuana Establishment Management Agreement (Incorporated by reference to Exhibit 10.4 to Form 10-Q No. 000-55462 filed with the Commission on November 18, 2015)
- 10.20 Pacific Leaf Ventures LP Amended and Restated 6% Senior Secured Convertible Promissory Note (Incorporated by reference to Exhibit 10.1 to Form 8-K No. 000-55462 filed with the Commission on February 12, 2016)
- 10.21 Pacific Leaf Ventures LP Amended and Restated Royalty Agreement (Incorporated by reference to Exhibit 10.2 to Form 8-K No. 000-55462 filed with the Commission on February 12, 2016)
- 10.22 Pacific Leaf Ventures LP Omnibus Amendment and Waiver (Incorporated by reference to Exhibit 10.3 to Form 8-K No. 000-55462 filed with the Commission on February 12, 2016)
- 10.23 Amended Employment Agreement between Registrant and John Poss dated June 1, 2016 (Incorporated by reference to Exhibit 10.23 to Form 10-K No. 333-82580 filed with the Commission on July 14, 2016)
- 10.24 Amended Employment Agreement between Registrant and Andrea Small-Howard dated June 1, 2016 (Incorporated by reference to Exhibit 10.24 to Form 10-K No. 333-82580 filed with the Commission on July 14, 2016)
- 10.25 Audit Committee Charter (Incorporated by reference to Exhibit 10.25 to Form 10-K No. 333-82580 filed with the Commission on July 14, 2016)
- 10.26 Compensation Committee Charter (Incorporated by reference to Exhibit 10.26 to Form 10-K No. 333-82580 filed with the Commission on July 14, 2016)
- 10.27 Pacific Leaf Ventures LP Second Omnibus Amendment and Waiver (Incorporated by reference to Exhibit 10.1 to Form 10-Q No. 000-55462 filed with the Commission on August 15, 2016)
- 10.28 Amended Employment Agreement between Registrant and Ksenia Griswold dated October 7, 2016 (Incorporated by reference to Exhibit 10.1 to Form 10-Q No. 000-55462 filed with the Commission on November 14, 2016)
- 14.1 Code of Ethics (Incorporated by reference to Exhibit 14.1 to Form 10-KSB No. 333-82580 filed with the Commission on June 22, 2004)
- 21.1 List of Subsidiaries
- 23.1 Consent of Independent Public Accounting Firm
- 31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934
- 31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934
- 32.1 18 U.S.C. Section 1350 Certification
- 101 XBRL Instant Documents

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the city of Las Vegas, NV on July 12, 2017.

GB Sciences, Inc.

By: /S/ John Poss

Name: John Poss

Title: Chief Executive Officer and President