

Medical Marijuana, Inc.
Balance Sheet
For the Quarter Ending June 30, 2011

ASSETS

Current Assets

Checking/Savings \$ 27,327.91

Other Current Assets

Accounts Receivable

BullnBear AR \$ 20,000.00

Other Receivable

Skyborne Partners 227,691.18

Far West Loan 121,905.73

Total Other Current Assets 369,596.91

Total Current Assets

Other Assets

Inventory \$ 155,888.82

Patent 375.00

Property Plant & Equipment 14,927.54

Total Other Assets 171,191.36

TOTAL ASSETS \$ 568,116.18

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable \$ 100,370.00

Total Accounts Payable \$ 100,370.00

Other Current Liabilities

Due to/from Officers 450.00

due to/from Richard Lar 2,644.34

Total Other Current Liabilities 3,094.34

Total Current Liabilities 103,464.34

Total Liabilities \$ 103,464.34

Equity

Additional Paid in Capital \$ 50,780,707.45

Capital Stock 301,001.94

Goodwill -46,779,037.00

Retained Earnings -2,489,978.02

Net Income -1,348,042.53

Total Equity 464,651.84

TOTAL LIABILITIES & EQUITY \$ 568,116.18

Medical Marijuana, Inc.
Income Statement
For the Quarter Ending June 30, 2011

Revenue		
Revenue		
Licensing Revenue		\$ 176,513.99
Hemp Network Revenue		
Hemp Network Revenue - Other	\$ 7,720.16	
Less: Cost of Goods sold	<u>-3,374.83</u>	
Hemp Network Gross Profit		4,345.33
Other Income/Expense		
Other Income		
Relief of Indebtedness		<u>196,784.07</u>
Total Income		<u>\$ 377,643.39</u>
General & Administrative Expenses		
Automobile Expense	\$ 108.94	
Bank Service Charges	369.71	
Computer and Internet Expenses	3,326.58	
Bankcard Processing Fee	407.77	
Janitorial Expense	524.00	
Meals and Entertainment	105.81	
Misc Expense	6,238.31	
Office Supplies	1,388.09	
Payroll (Excluding Stock-Based Compensation)	95,949.56	
Stock Based Compensation	1,534,203.21	
Professional Fees	12,400.00	
Rent Expense	4,934.00	
Telephone Expense	124.65	
Transfer Agents	3,120.00	
Travel Expense	<u>7,164.30</u>	
Total Expense		<u>\$ 1,670,364.93</u>
Net Ordinary Loss		<u><u>\$ (1,292,721.54)</u></u>

Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	1,500	15	-	-	-	-	15
Net Income	-	-	-	-	-	-	-
March 31, 2004	<u>1,614</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
June 30, 2004	<u>1,614</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	202	2	-	-	-	-	2
Net Income	-	-	-	-	-	-	-
September 30, 2004	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
December 31, 2004	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
March 31, 2005	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>

Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
June 30, 2005	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services			-			-	
Common stock issued for cash			-			-	
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
September 30, 2005	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services			-			-	
Common stock issued for cash			-			-	
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2005	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services			-			-	
Common stock issued for cash			-			-	
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
March 31, 2006	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services			-			-	
Common stock issued for cash			-			-	
Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2006	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>

Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
September 30, 2006	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
December 31, 2006	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
March 31, 2007	<u>1,816</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>
Common stock issued for services	4,000,000	40,000	-	-	-	-	40,000
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
June 30, 2007	<u>4,001,816</u>	<u>40,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,018</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
September 30, 2007	<u>4,001,816</u>	<u>40,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,018</u>

Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
December 31, 2007	<u>4,001,816</u>	<u>40,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,018</u>
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
March 31, 2008	<u>4,001,816</u>	<u>40,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,018</u>
Balance before merger with Club VivaNet							
Balance after merger adjustments							
Common stock issued for services	-	-	-	-	-	-	-
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
June 30, 2008	<u>4,001,816</u>	<u>40,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,018</u>
Common stock issued for services	9,517,395	95,174	-	-	-	-	95,174
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
September 30, 2008	<u>13,519,211</u>	<u>135,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,192</u>
Common stock issued for services	1,422,600	14,226	-	-	-	-	14,226
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
December 31, 2008	<u>14,941,811</u>	<u>149,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,418</u>

Common stock issued for services	2,000,000	20,000	-	-	-	-	20,000
Common stock issued for cash	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	-	-
March 31, 2009	<u>16,941,811</u>	<u>169,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,418</u>
April 27, 2009	<u>16,941,811</u>	<u>169,418</u>					<u>169,418</u>
April 28, 2008 Forward split 1:10	<u>169,418,110</u>	<u>169,418</u>					<u>169,418</u>
Common stock issued for services	48,090,400	480,904	-	-	-	-	480,904
Common stock issued for cash	16,534	165	-	-	-	-	165
Net Income	-	-	-	-	-	-	-
June 30, 2009	<u>217,525,044</u>	<u>217,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,525</u>
Common stock issued for services	8,580	9					
Common stock issued for cash	111,420	111					
Net Income	<u>(52,319)</u>						
September 30, 2009	<u>217,645,044</u>	<u>217,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,645</u>
Common stock issued for services	8,580	9					
Common stock issued for cash	111,420	111					
Net Income	<u>(177,662)</u>						
December 31, 2009	<u>222,685,777</u>	<u>217,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,765</u>

Common stock issued for services	33,285	33					
Common stock issued for cash	-	-					
Net Income	<u>(52,319)</u>						
March 31, 2010	<u>222,719,062</u>	<u>217,798</u>	<u>-</u>			<u>-</u>	<u>217,798</u>
Common stock issued for services	420,000	420					
Common stock issued for cash	-	-					
Net Income	<u>(69,431)</u>						
June 30, 2010	<u>223,069,631</u>	<u>218,218</u>	<u>-</u>			<u>-</u>	<u>218,218</u>
Common stock issued for services	22,819,431	22,468					
Common stock issued for cash	-	-					
Net Income	<u>(69,431)</u>						
September 30, 2010	<u>245,889,062</u>	<u>240,686</u>	<u>-</u>			<u>-</u>	<u>240,686</u>
Common stock issued for services	60,000	60					
Common stock issued for cash	-	-					
Net Income	<u>(2,380,096)</u>						
December 31, 2010	<u>245,949,062</u>	<u>240,746</u>	<u>-</u>			<u>-</u>	<u>240,746</u>
Common stock issued for services	260,100,000	260100					
Common stock issued for cash	-	-					
Net Income	<u>(42,613)</u>						

March 31, 2011	<u>506,049,062</u>	<u>500,846</u>	<u>-</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>500,846</u>
Common stock issued for services	17,501,947	17501.947						
Common stock issued for cash	2,062,039	2,062						
Net Income	<u>(1,292,722)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
June 30, 2011	<u>523,551,009</u>	<u>520,410</u>	<u>-</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>520,410</u>

Medical Marijuana, Inc.
Statement of Cash Flow
For the Quarter Ending June 30, 2011

OPERATING ACTIVITIES

Net Income	\$	(1,292,721.54)
Adjustments to reconcile Net Income to net cash provided by operations:		
BullnBear AR	\$	(20,000.00)
Other Receivable		-227,691.18
Far West Loan		-121,905.73
Accounts Payable		96,219.32
Due to/From Bruce Perlowin		-7,148.51
Due to/From David Tobias		-1,500.00
Due to/from Don Steinberg		-185,403.94
Due to/from Officers		450.00
due to/from Richard Larry		2,644.34
Jim Hancock		-9,970.00
Total Adjustments		<u>-474,305.70</u>
Net cash provided by Operating Activities	\$	<u>(1,767,027.24)</u>

INVESTING ACTIVITIES

Inventory	\$	(86,625.17)
Property Plant & Equipment: Gilroy		<u>-14,927.54</u>
Net cash provided by Investing Activities		-101,552.71

FINANCING ACTIVITIES

Additional Paid in Capital	\$	1,877,807.45
Capital Stock		<u>17,501.94</u>
Net cash provided by Financing Activities	\$	<u>1,895,309.39</u>

Net cash increase for period \$ 26,729.44

Cash at beginning of period 598.47

Cash at end of period \$ 27,327.91

MEDICAL MARIJUANA, INC

Note 1 – Organization and Basis of Presentation

Organization and Line of Business

Medical Marijuana, Inc. was incorporated in the State of Oregon in May of 2005. Medical Marijuana, Inc. will provide institutional level financial systems to local, state and federal governments, testing and certification services, education programs, consulting and turn-key solutions to all levels of government and the Medical Marijuana Industry.

Medical Marijuana, Inc. has upgraded the provisional patent pending to a utility patent pending on the MMI Financial Solutions that will provide local, state and federal governments with a closed loop financial accounting system to monitor compliance concerning the collection of tax revenues in a near real-time environment. MMI is also looking to provide an integrated business system for medical marijuana industry participants, from growers to distributors to dispensaries. MMI Solutions will ensure compliance with local, state and federal regulations where it concerns operations and taxation.

Medical Marijuana, Inc. has established a division in June 2010, called “The Hemp Network” which sells hemp-based products to consumers through a network of home-based sales representatives. This includes the benefits that use of organic products can bring to the environment as well as the monetary rewards. MMI is continuing to analyze new markets and expand its available product offerings.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Principles of Consolidation

The financial statements are not consolidated. The financial statements do, however, reflect the Hemp Network Division’s sales separately.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. During the quarter, Skyborne Partners assisted as an agent on behalf of MI for some of its banking needs.

Prepaid Expenses

None

Investments in Marketable Securities

None

Deposits

Deposits are the balances outstanding that have not been redeemed as of the date of the Financial Statements. The prior deposit was treated as income in the current quarter as there is no longer any liability associated with the event for which the deposit was retained.

Accounts Receivable/Other Receivable

Accounts Receivable/Other Receivable consists of transactions with three distinct entities:

The first entity, BullnBear, S.A. is a corporation operating in Guatemala, cultivating and developing applications for industrial hemp. MI is currently negotiating a relationship which would provide MI with a source of industrial hemp as well as providing MI with potential products for sale by the Hemp Network.

The second entity, Far West, is a financing entity which acted on behalf of Medical Marijuana, Inc. during the second quarter. Income from Far West was provided to MI pursuant to the equity/asset exchange agreement. The funds received from Far West were pursuant to an agreement with HDDC providing that MJNA receives 25% of any profits generated and this income was received.

The third entity, Skyborne Partners, represents a receivable for stock purchases which were reversed subsequent to June 30, 2011. The shares were issued and are awaiting payment which had not been received as of June 30. **Notes Receivable**

None

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and

equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations.

Depreciation of property and equipment is provided using the MACRS method for substantially all assets with estimated lives of 5 years and, to the extent available, accelerated depreciation per Internal Revenue Code Sec. 179.

During the second quarter, the company received Property and Equipment from CannaBank pursuant to the asset/exchange agreement executed at the end of March. These items were recorded at CannaBank's cost and may not represent fair market value, if such is higher than cost.

Inventory

Inventory consists of several items: cannabidiols, supplements and personal health items. Inventory has been recorded at the lower of cost instead of fair market value.

Revenue Recognition

The Company's revenue recognition policies are in compliance with SEC Staff Accounting Bulletin ("SAB") 104.

Licensing Revenue Sharing

This amount represents an agreement with the Hemp Deposit Distribution Corporation concerning revenue generated at a facility in San Jose, California.

Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, "Share-Based Payment, an Amendment of FASB Statement no. 123." The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. During the quarter, 17,501,947 shares were issued in total. 12,238,800 issued to consultants for establishing and assisting the corporation, 5,263,147 were sold to private investors of which 3,201,108 are still pending receipt of payment and have not yet been distributed.

Income Taxes

The Company utilizes the SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in the future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period and based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Basic and Diluted Earnings per Share

Earnings per share are calculated in accordance with the SFAS No. 128 ("SFAS No. 128"), "Earnings per Share." Net earnings per share for all periods presented have been restated to reflect the adoption of SFAS No. 128. Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. There are no convertible shares, options or warrants. (See Note 6.) Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. At this time there are no stock options granted.

Note 3 – Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern.

Note 4 – Notes Payable

NONE

Note 5 – Loans To/From Officers

Loans are stated at par and are presented in aggregate. Such sum represents the loan of funds and/or withdrawal of funds by officers and is not considered revenue to the company, nor income to individual officers.

Note 6 – Stock Options and Warrants

NONE

Note 7 – Prepaid Expenses

NONE

Note 8 – Significant Events

The company continues to integrate the new management and its operating philosophies pursuant to an equity/asset exchange agreement, discussed below.

On March 23, 2011, an agreement was made with the Hemp Deposit and Distribution Corporation. As a result of the agreement, 260 million shares were issued to the Hemp Deposit and Distribution Corporation giving it a majority ownership and controlling position in the company.

The agreement required the Hemp Deposit and Distribution Corporation to place income producing assets in Medical Marijuana, Inc. On the date of the transaction, the market price of the company's common stock was \$.18.

On June 24, 2011, pursuant to the agreement, the Company entered into a ten year lease with a five year renewal option and a management agreement with the Hemp Deposit and Distribution Corporation for certain property. Other assets may be transferred to the company in the future. The books and records of the Company reflect the transaction based on the market price of the common stock on the day the Agreement was consummated. Because this valuation may not be reflective of the Agreement's market value, a review of the Agreement is being made. As a result of such review, this report may be amended.

On April 18, 2011, the company entered into an Agreement with SkinAgain, LLC to develop and market an extraction process for cannabidiol (CBDs). The Agreement allows MI to share one-half ownership in a provisional patent #u5611449,525 "Method of Extraction of Cannabidiol", as well as any derived resulting property relating to such patent. A valuation has not been determined for this Agreement and will not be without further evaluation and appraisal.

On May 2, 2011, the Company was given 50% ownership in Cannabis Marketing Group. A Joint Venture & Operating Agreement between Connect U Worldwide and CannaBANK, Inc. This Group was created to provide marketing services in the cannabis and hemp market in a manner consistent with the Company objectives. In this agreement, MJNA was to issue \$200,000.00 in treasury stock to Connect U Marketing, LLC. These shares have yet to be distributed.

Note 9 – Subsequent Events

Subsequent to the recording of certain receivable amounts for stock issuances, certain stock was not fully assessed and/or paid for, compelling a reversal of all transactions to the extent that such stock was not issued, unless and until these shares are fully paid for.

ISSUER'S CERTIFICATION

Michael Llamas, Interim President of Medical Marijuana, Inc. certify that,

1. I have reviewed this quarterly statement for the period ending June 30, 2011.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement: and;
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in the disclosure statement.

Date: August 25, 2011

A handwritten signature in black ink, appearing to read "Michael Llamas", is written over a horizontal line.

Michael Llamas

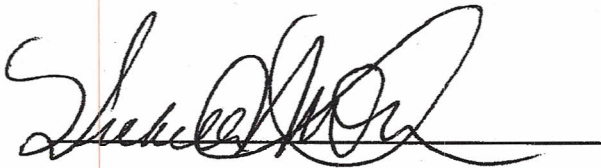
Interim President

ISSUER'S CERTIFICATION

Michelle Sides, Chief Operating Officer of Medical Marijuana, Inc. certify that,

1. I have reviewed this quarterly statement for the period ending June 30, 2011.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement: and;
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in the disclosure statement.

Date: August 25, 2011

A handwritten signature in black ink, appearing to read 'Michelle Sides', written over a horizontal line.

Michelle Sides

Chief Operating Officer