

INFORMATION AND DISCLOSURE STATEMENT

Pursuant to Rule 15c2-(11)(a)(5) under the Securities Exchange Act of 1934

Period Ending
March 31, 2013



Medical Marijuana, Inc.

2665 Ariane Drive
Suite 207
San Diego, CA 92117

CUSIP: 58463A105
Trading Symbol: MJNA

INFORMATION AND DISCLOSURE STATEMENT PURSUANT TO RULE 15c2-(11)(a)(5)

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c211 (a)(5) promulgated under the Securities Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format as set forth in the rule.

FORWARD LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements. To the extent that any statements made in this report contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as "expects", "plans", "may", "anticipates", "believes", "should", "intends", "estimates", and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, marketability of our products; legal and regulatory risks associated with the share exchange our ability to raise additional capital to finance our activities; the effectiveness, profitability and; the future trading of our common stock; our ability to operate as a public company; our ability to protect our proprietary information; general economic and business conditions; the volatility of our operating results and financial condition; our ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed from time to time in our filings with the OTC Markets (the "OTC"), or otherwise.

Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements. As a result, investors should not place undue reliance on these forward-looking statements.

FOOD AND DRUG ADMINISTRATION DISCLOSURE (FDA)

The statements found herein have not been evaluated by the Food and Drug Administration (FDA) and are not intended to diagnose, treat, cure or prevent any disease or medical condition.

Section One: Issuer's Disclosure

Part A

General Company Information

Item I The exact name of the issuer and its predecessors

Medical Marijuana, Inc. (the "Company", "we", "our", "us", "MJNA")

The Company was originally incorporated as Berkshire Collection, Inc., in Canada in 2003. On May 23, 2005 the Company was incorporated in the State of Oregon. The Company changed its name to Mynewpedia Corp. on January 31, 2007. On May 21, 2008 the Company with the consent of the majority shareholder of Mynewpedia, agreed to issue common stock of Mynewpedia, Corp (MYNW) to the shareholders of Club Vivanet (Florida) in exchange for all issued and outstanding, common shares of the stock of Club Vivanet, totaling 9,300,000 common shares by way of an exchange of one (1) share of Club Vivanet for twelve (12) shares of Mynewpedia, Inc. Club Vivanet Inc., formed in August 2006 as a Florida C Corporation, is currently a wholly owned subsidiary of the Company. Total outstanding shares of the Company after the acquisition was 221,176,840. The Company subsequently changed its name to Club Vivanet, Inc. on May 22, 2008, and on August 28, 2008, the Company effected a 20:1 reverse split which resulted in 11,058,842 total issued and outstanding shares of common stock of the Company. On March 23, 2009, the Company resolved to change its name to Medical Marijuana, Inc., which name change became effective April 28, 2009. On April, 27, 2009 the then current directors/officers of the company resigned and appointed new Officers/Directors. On April 28, 2009 Company issued a total of 40,000,000 shares to New CEO. These actions effected a change and control of the company. Upon the effective date of the name change the Company's trading symbol was changed to MJNA. On the date of the name change of the Company to Medical Marijuana, Inc. the Company spun off its wholly owned subsidiaries, Club Vivanet, a Florida corporation and Mynewpedia Corp. March 23, 2011, an equity/asset exchange was effected between Hemp Deposit and Distribution Corp., a Delaware corporation ("HDDC") and the Company. The equity/asset exchange called for the Company to issue 260,000,000 million shares of common stock to HDDC which required an increase in the authorized share capital from 300,000,000 shares to 600,000,000 shares. The increase was declared effective on March 28, 2011. The issuance of the 260,000,000 shares was effected on March 31, 2011 which effected a change and control of the Company.

The fiscal year end of the Company is December 31.

Neither the company nor any predecessor has been in bankruptcy, receivership or any other similar proceeding.

There has been no default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the company to make payments.

The company has never been delisted by any securities exchange or deleted from the OTC Bulletin Board or Pink Sheets. The company currently is subject to a Depository Trust Company (DTC) "Chill" on new certificate deposits.

There are no current and have been no past, pending, or administrative actions either by or against the company that could have a material effect on the company's, business, financial condition, or operations and there are no current, past or pending suspensions by a securities regulator. In the ordinary course of business, we may from time to time be involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations. However, in the opinion of our management, other than as set forth herein, matters currently pending or threatened against us are not expected to have a material adverse effect on our financial position or results of operations.

Government Regulation

The effect of existing or probable government regulations on the business of the Company is not known at this time. Due to the nature of the business of the Company, it is anticipated that there may be increasing regulation upon the business of the Company and that may cause the company to have to take serious corrective actions, changes in business plan, or even close or stop its business practices.

Item II

The address of its principal executive office

Medical Marijuana, Inc.
2665 Ariane Drive
Suite 207
San Diego, CA 92117

Item III

The jurisdiction(s) and date of the issuer's incorporation or organization

The issuer was originally incorporated in Canada as The Berkshire Collection. On May 23, 2005 the Company was re-incorporated in the State of Oregon.

Part B

Share Structure

Item I

The exact title and class of securities outstanding

Medical Marijuana, Inc. Common Stock
CUSIP Number – 58463A105
Trading Symbol – MJNA

Item II

Par or stated value and description of the security

Par Value of Common Stock is \$0.001 per share
950,000,000 shares authorized

Item III

The number of share or total amount of the securities outstanding for each class of securities authorized

At the end of last fiscal quarter – March 31, 2013

Common Stock- 935,988,318 shares issued outstanding

Item V

Share Structure and Outstanding Shares

At the end of last quarter – March 31, 2013

Common Stock 935,988,318 shares outstanding

585 - Shareholders of Record as of 3/31/2013

40,839- Shareholders (NOBO) as of 3/31/2013

411,045,323– Public Float Shares as of 3/31/2013

December 31, 2012: 808,238,318 Shares outstanding

December 31, 2011: 558,565,764 shares outstanding

December 31, 2010: 245,949,062 shares outstanding

December 31, 2009: 222,685,777 shares outstanding

Part C**Business Information****Item I**

The name and address of the transfer agent

First American Stock Transfer, Inc.

4747 N. 7th Street, Suite 170

Phoenix, AZ 85014

Phone: 602-485-1346

Fax: 602-788-0423

<https://firstamericanstock.com>

First American Stock Transfer, Inc is registered Under the Exchange Act with the Securities Exchange Commission as a Registrar and Transfer Agent.

Item II

The nature of the Company's business

A. Business of Issuer

1. **The Company's primary SIC Code is 7380, Miscellaneous Business Services.**
2. **The Company is in the development stage.**

The Company is presently in the development stage. Accordingly, all of the Company's operating results and cash flows reported in the accompanying financial statements are considered to be those related to development stage activities and represent the cumulative from inception amounts from its development stage activities reported pursuant to Accounting Standards Codification (ASC) Topic 915-10-05, Development Stage Entities. The accompanying financial statements have

been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP).

3. To the best of our knowledge the Company is not, nor has it ever been deemed a "shell" company.
4. The Company currently has the following divisions, subsidiaries, holdings and affiliates:

Divisions

1. The Hemp Network
2. CannaFuel
3. The Pet Hemp Emporium

Corporate Holdings

1. Wellness Managed Services
2. Ace Hydro
3. HempMedsRX
4. Red Dice Holdings
5. PhytoSPHERE Systems
6. CanChew Bio-Technologies
7. Canipa Holdings
8. Kannalife Sciences

5. **Affiliates**

Hemp Deposit and Distribution Corporation DBA: CannaBANK Inc.

6. Research and development activities commenced in April of 2009, and have decreased in the quarter ending through March 31, 2013.
7. The total number of full time corporate employees is Seven (7). Our subsidiaries have employees and management not included in this figure. Total we have thirty seven (39) team members including part time, contracted or non-compensated management.
8. Prior to new management and the issuance of shares to Hemp Deposit and Distribution, the Company was involved in the following;

(The company's management is continuing its evaluation of the following divisions, strategies, partnerships, business and operational plans for productivity, profitability, marketability and to make sure it fits into the Company's business strategies, the following excerpts were taken directly from prior managements annual reports)

Medical Marijuana, Inc. was to provide institutional level financial services 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. A division, The Hemp Network, established in June

2010, sold hemp-based products to consumers through a network of home-based sales representatives. The Hemp Network was established to make a real difference in the world by providing the highest quality hemp and hemp blended products to a wide marketplace with the use of network marketing to create massive distribution.

EDUCATIONAL SYMPOSIUM AND SEMINARS

The Company began its expanded seminars with its first education forum in Los Angeles at the Convention Center on January 16-17, 2010. Shortly thereafter, the Company held its second seminar in April 2010 in San Diego at the Convention Center. The focus of these seminars was on educating entrepreneurs, existing industry operators, regulators, city officials, law enforcement officials and the general public on the benefits of a legitimate medical marijuana industry. Currently no symposium or seminars are planned pending evaluation of the business efficacy of this division.

FINANCIAL SOLUTIONS

Medical Marijuana, Inc. had a provisional patent pending for a tax remittance card which in the early part of 2010 was upgraded and expanded to a utility patent. This would have provided local, state and federal governments with a closed loop financial accounting system to monitor compliance and collect tax revenues in a near real-time environment. The Company looked to provide an integrated business system for medical marijuana industry participants, from growers to distributors to dispensaries. The Company's patent pending product was to ensure compliance with local, state and federal regulations where it concerns operations and taxation. This Stored Value Platform System would provide verifiable solutions for an inter-agency approach to manage the difficult task of Revenue and Taxation Collection for the emerging medical marijuana industry. The stored platform cards would be sold by Master Agents around the United States whereby commissions will be paid on a per transaction basis. There was also a provisional patent for an inventory control tracking system that was also upgraded and expanded in the early part of 2010 to a utility patent.

The System was an integrated "plug and play" network that allowed, Grow-Ops, Distributors, and Co-Ops/Collectives to easily collaborate and build a strong and diversified supply chain network. The system was modular, scalable, flexible and dynamic to allow various business models to select only the modules that are necessary for their particular business model. This system had a W2W (Wholesale-to-Wholesale) module that will be seamlessly integrated into a comprehensive pricing and research database that provides a matrix of fluctuating strains, pricing, and availability from inventory across the entire Company Network of Co-Ops/Collectives and Grow-Ops. Co-Ops/Collectives low on inventory, or have overstock inventory, can query and post in real-time "available-for-trade" inventory levels. The database had over 30 predefined defined data points such as THC Content, CBA, CBD, etc, as well as an unlimited number of user/community defined criteria.

The underlying infrastructure was based on a "closed-loop" design to minimize theft and fraud by identifying unauthorized breaks in the supply chain audit trail in real time. Business managers can be notified immediately via text message or email on mobile devices. There was also a "Mom & Pop Grow-Op" feature that promotes and supports a small business boutique model over big agribusiness super-grows that will inevitably make their way into the industry. Small and tightly controlled Grow-Ops will produce more variety and higher quality product than large automated industrial models.

The Company was the first to step up into unknown territory becoming the first U.S. public corporation to enter the medical marijuana industry. Much of the necessary infrastructure required to efficiently and effectively manage an industry of this magnitude simply does not exist. The Company initial intent was to develop groundbreaking systems and applications to service this emerging industry.

Under new management, future areas of concentration to be entered into include but are not limited to:

We are currently in discussions with multiple companies for testing, grading and cannabinoid research.

Co-Op/Collective Management – As the market matures, we intend to provide outsourced management services to dispensaries under contract. We intend to standardize operations and product selection in its group of managed dispensaries.

Medical Marijuana Business Journal – Industry News, Education and Information – The Company anticipates distributing an industry magazine that addresses all issues concerning businesses in the emerging Medical Marijuana Industry.

Hemp Products – We are actively searching for a greatly expandable product line to increase network marketing production. The Hemp Network was established to make a real difference in the world by providing high quality hemp and hemp blended products to a wide marketplace with the use of network marketing.

Medical Marijuana, Inc may also provide institutional level financial services to local, state and federal governments, testing and certification services, educational programs, consulting and turn-key solutions to all levels of the government and the medical marijuana industry. A subsidiary, The Hemp network, was anticipated to sell hemp-based products to consumers through a network of home based representatives.

End of Evaluation Section A

(Each one of the following divisions, strategies, partnerships, business and operational plans is being evaluated by management for productivity, profitability, marketability and to make sure it fits into MJNA business strategies,

the following excerpts were taken directly from prior management's reports, some of these business opportunities are still in practice, others have been slowed or stopped in operation or development).

B. Business Development

Medical Marijuana, Inc is currently developing the following divisions, subsidiaries and holdings:

1. The Hemp Network

The Hemp Network's main objective is to educate the general population about the versatility and benefits of the hemp plant. By sharing the story of hemp with individuals across the country and around the world the network strives to raise awareness and ultimately change public perception about industrial hemp. In changing public perception, we can help support changes in the laws associated with the cultivation of industrial hemp and the domestic production of hemp-related products and services. The Hemp Network currently has associates signed up to sale hemp based and related products in a multiple strategy sales program, from direct sales to affiliate, to network marketing. The Hemp Network strives to acquire, develop and sale these products consumers.

Additional Notes: Currently the Hemp Network has five products. Each product is being evaluated to maximize profitability and marketability. The Company is looking to expand its portfolio of products. The company recently met with industry executives from network marketing companies to evaluate the viability of a network marketing business within our industries. The results from those meetings have been positive; the company is evaluating several management options.

2. MMI Nutraceuticals

MMI Nutraceuticals is a division of the Company that deals with all of MMI Nutraceuticals products including CBD (Cannabidiol) and THC Free brands. The team deals with the development, research, contracting, patents and sales of the products.

Additional Notes: The CBD product line is expected to generate attention in the United States and abroad, because of its purported beneficial properties for humans and animals. Currently we are not aware of any other direct competitors in this marketplace. The Company will look for distributors to sale the products, as well as possibly selling through The Hemp Network (a division of Medical Marijuana, Inc.) as well with its other subsidiaries.

3. MMI Biotechnology

MMI Biotechnology is the division that builds and develops specialty equipment and technology for the medical herbal, pharmaceutical and nutraceutical markets. MMI Biotechnology is licensed through Hemp Deposit and Distribution Corporation for the entire western hemisphere. MMI Biotechnology looks to expand its operation and product development through acquisition. These acquisitions will include management contracts on hydroponic stores, herbal medical farms and other medical herb companies.

4. CannaFuel

CannaFuel, is a division of the Company that oversees, coordinates, the research and development of hemp and other biomass based fuels. Currently the company is working on syndicating biomass processing facilities as well as and syndicating raw bio mass materials to be processed into usable Biofuels. The Company is working on projects in the United States, Canada, Asia and Europe. With the change in laws in the United States, specifically within the State of Colorado and Kentucky, we are working on several potential projects for hemp based biomass facilities.

5. The Pet Hemp Emporium

Pet Hemp Emporium is a division of the Company that has developed and owns everyday pet products, consisting of everything from Hemp leashes to Hemp beds and Hemp based bio plastics that are much more suitable for pet use then conventional products that are petroleum (oil) based. These products are not available directly to consumers yet. Instead, the Company is anticipating expanding into wholesale distribution and direct distribution to national pet stores before investigating marketing these products at a retail level. The company anticipates launching direct to consumer sales in 2013.

Additional Notes: Currently, the Company can only supply the products in bulk. The Company is evaluating the possibility of selling direct to consumer as well as through The Hemp Network (a division of Medical Marijuana, Inc.), but the minimum quantity required to produce may be less viable for direct sales to consumers and The Hemp Network.

Corporate Holdings

6. Wellness Managed Services, LLC

Wellness Managed Services provides management support and services to Cooperatives, Collectives, Health and Wellness Facilities and Medical Clinics. The services range from management to product distribution.

7. HempMeds RX, LLC

HempMeds Rx, LLC is the premier source for quality hemp based health and wellness products. Our unique, patented and proprietary extraction process allows us a significant advantage in bringing forth these products to consumers around the world. The company utilizes the PhytoSPHERE growth and extraction technology to produce its raw plant materials as well as syndicating its production from other international producers of hemp. The company is anticipated to have it sales site up in the second quarter of 2013.

8. Red Dice Holdings, LLC

Red Dice Holdings, LLC owns the Dixie Brand of consumable products, the products include the Dixie X Synergy Brand, The Dixie Botanicals Brand and the Dixie Elixirs brand. The Dixie Elixirs Classic Brand is licensed and in use with a Colorado based manufacture. To date the company has not received revenue or profits from the Colorado based operation due to the current regulatory environment and classification of marijuana in the United States. The company utilizes PhytoSPHERE

Systems to provide all of the necessary hemp based CBD oil. These products range from a topical salve to the Dixie Dew Drops. The products can be found at retail locations throughout Colorado and on-line. The Company expects to be the first to market hemp based CBD products in the United States Market.

9. PhytoSPHERE Systems, LLC

PhytoSPHERE Systems, LLC is the leading organic cannabinoid based biotechnology company that builds and develops growing, packaging and extraction technologies and deploys them in self-contained, highly efficient state of the art facilities as well as traditional hemp agricultural facilities, for the pharmaceutical and nutraceutical raw ingredients markets. The combination of PhytoSPHERE Systems superior technology and proprietary processes, genetically consistent products, and tissue culture based plants, gives us the ability to produce the cleanest and highest quality pharmaceutical grade extracts and compounds currently on the market.

4th Quarter Update

PhytoSPHERE Systems, LLC (80% owned by the Company and 20% owned by Hemp Deposit and Distribution Corporation ("HDDC")) entered into an agreement in December to grant a license of PhytoSPHERE Systems to CannaVEST, as well as sell its excess inventory and future supply contracts and production, as well as certain other assets to CannaVEST Corp. CannaVEST Corp is a hemp based agricultural company specializing in the development and sales of hemp based products. The terms of the Purchase Agreement require payment by CannaVEST to PhytoSPHERE of \$35 million in cash and/or stock. CannaVEST made its first payment to PhytoSPHERE of \$4,500,000 by the issuance of 900,000 shares of CannaVEST Corp. common stock, 720,000 shares of which (80%) have been distributed by PhytoSPHERE to the Company. CannaVEST Corp has also made its second payment of 1,000,000 shares of common stock to the company as of 3/31/2013 of which the Company has an (80%) interest. This transaction will enable the Company to focus on building its core business through the expansion of its branded products and acquisition of additional brands without our core competence. In addition, the Company will continue to benefit from the supply chain relationships sold to CannaVEST through partnering arrangements that are currently in discussions with the goal to ensure future purchases of high value CBD oil at a significant cost savings.

No management, executives or board of directors of Medical Marijuana Inc. own as of 03/31/2013 any shares of CannaVEST Corp OTC: CANV.

10. CanChew Bio-Technologies, LLC

CanChew Bio-Technologies focuses on the treatment of pain and other medical disorders with the application of chewing gum based cannabis/cannabinoids medical products. The company targets research and execution of their clinical development plan and subsequently out licensing of their technology. The development focuses on the R&D of the formulation, production and the development of chewing gum based products in their respective fields (e.g: for the treatment of numerous diseases like pain, nausea and vomiting, anorexia, spasticity and various other symptoms). The product launch is anticipated for 2nd Quarter of

2013. The company due to regulatory requirements has two distinct product lines, the first is CanChew Gum, an over the counter product that has no medical claims associated with its sale or marketing, and the second its MedChewRX product which is undergoing clinical development in Europe for the treatment of Pain and is expanding into several other ailments.

11. KannaLife Sciences, Inc.

KannaLife Sciences, Inc. ("KannaLife") holds an exclusive license agreement with the National Institutes of Health – Office of Technology Transfer ("NIH-OTT") for the commercialization of U.S. Patent 6,630,507, "Cannabinoids as Antioxidants and Neuroprotectants" (the "507 Patent"). The 507 Patent includes among other things, claims directed to a method of treating diseases caused by oxidative stress by administering a therapeutically effective amount of a non-psychoactive cannabinoid that has substantially no binding to the NMDA receptor. KannaLife intends to move forward with its commercial development plan, and design a novel new drug compound for the treatment of Hepatic Encephalopathy (HE).

KannaLife Sciences ("KannaLife") is a late stage bio-pharmaceutical and phyto-medical technology company. We were created to develop natural, phyto-medical products to be used in health and wellness regimens. We are also involved in the research and development of novel new therapeutic agents to be used as transport carriers for other compounds seeking to break the blood/brain barrier as well as our own compounds to be used for the treatment and prevention of oxidative and neuro-toxic stresses born from a variety of ailments and illnesses.

KannaLife's unique approach to drug development combines traditional healthcare practices utilizing natural medicine with western technology to create its pipeline of potential drug candidates for clinical development. Traditional healthcare dates back over 5,000 years, and, according to the World Health Organization, is the primary source of preventative medicine in approximately 80% of the world today.

The scientific team, comprised of dedicated professionals, clinicians and bio-chemists, all have a strong background in phyto-pharmaceutical, biological and Ayurvedic sciences with a long track record of successfully developing drugs from plant sources that are complex in nature and structure. The team also has the requisite relationships with nationally supported institutions of health as well as top academic food and science departments at several recognized universities in the United States. For more information on KannaLife Sciences please visit www.kannalife.com

Medical Marijuana, Inc is currently working with the following affiliates;

Hemp Deposit and Distribution Corporation d/b/a CannaBANK Inc. performs Mergers and Acquisitions and acts as a conduit through which assets are transferred from Hemp Deposit and Distribution Corporation to Company pursuant to the Agreement dated March 23, 2011. CannaBANK is also financing the acquisitions and development of certain approved purchases, acquisitions and products. CannaBANK is at the forefront of Hemp based investments. Through liquidation of its equity and financial raises in which

CannaBANK guaranteed said funding; CannaBANK provided in excess of \$4 million in financing for the acquisition and development of several pending transactions, including the Dixie Elixirs Brand, PhytoSPHERE Systems, CanChew Bio-Technologies, several cannabinoid based hemp delivery systems, KannaLife Sciences transaction and several Wellness Managed Services accounts. CannaBANK is expanding its funding resources for the Company. The Company is expected to receive a second round of equity from CannaBANK Inc. in 2013, if the Company deems necessary.

The nature of products or services offered.

Currently the entire Company product and service portfolio is being evaluated by new management for marketability and profitability.

The current products include:

Hemp extract from the hemp plant which contain high levels of Cannabidiol also known as CBD. These CBD products will have different applications from a topical lotion, mister for your skin, to a raw crystal formula for distributors, nutraceutical and pharmaceutical companies. The CBD products are derived from legal hemp farms international and to be sold as dietary supplements or as an additive to other products. Hemp Network has a diverse network of products that range from hemp aloe to hemp energy drinks. Some of these hemp-based products are textiles.

Wellness Managed Services has seen strong growth over the past few quarters and we expect that growth to continue through the acquisition and development of Collectives, Cooperatives, Health and Wellness facilities and Medical Clinics. In the (4TH) quarter of 2013, the Company will focus heavily on the development of this company for several reasons.

- a. The accounts provide in most cases an immediate cash flow
- b. In most cases the account have additional shelf space for our products
- c. In most cases the accounts provide direct sales access for our products to end consumers and most importantly to the individuals who recommend specific products
- d. Because the accounts in most cases are established businesses our operating costs are much less because we aggregate the operating costs in administration, legal, accounting and marketing giving the company a strategic advantage
- e. The company anticipates a change in the market in the next twenty four (24) to thirty six (36) months that will make the shelf space and distribution channels much more valuable than in today's market

The Company is in the process of evaluating several potential employees or new hires to run and further develop Wellness Managed Services.

HempMeds Rx, LLC is the premier source for quality hemp based health and wellness products. Our unique and patented and proprietary extraction process allows us a significant advantage in bringing forth these products to consumers around the world. The company utilizes the PhytoSPHERE Systems growth and extraction technology to produce its raw plant materials as well as syndicating its

production from other international producers of hemp. The company is in the process of a name change from HempMeds RX to HempMeds PX, to represent the P for Phyto, which stands for plant based. The company is focused on plant based product marketing and sales. Management decided that this change better represents its purpose.

Red Dice Holdings, LLC owns the Dixie Brand of consumable products. The Company utilizes PhytoSPHERE Systems to provide all of the necessary hemp based CBD oil. These products range from a topical salve to the Dixie Dew Drops. The products can be found at retail locations throughout Colorado. The company intends on developing its sales through several key areas.

1. Wholesale
2. Affiliated Marketing Sales
3. Retail to Consumers

The Company is looking at expanding its wholesale sales into new markets through state by state distribution contracts and key distribution partners. Affiliated marketing sales allow for the company to capture sales not directly from its efforts, but by the efforts of others with online sales and marketing sites. A sale is captured by the customer clicking its way back to our sales site through banner and sales ad's on approved affiliated marketing company sales sites. The company pays those affiliates a small fee per sale for the life of that client. Retail sales directly to consumers will take place through a direct marketing effort. These sales are taking place through our online sales site, which the company completed in the third quarter of 2012. The Company plans on expending a significant amount of its reserves and operating cash flows on building the marketing efforts of this product. Once brand awareness will be established through online, print, radio and other forms of media, the company anticipates offers from national and international marketing and distribution companies, at which time the company may need to re-evaluate and modify its sales and marketing strategies to conform to a more typical sales and distribution organization. The company believes that it has the first to market hemp based CBD products in the United States.

PhytoSPHERE Systems, LLC is a leading organic cannabinoid based biotechnology company that builds and develops growing, packaging and extraction technologies and deploys them in self-contained, highly efficient state of the art facilities as well as traditional hemp agricultural facilities, for the pharmaceutical and nutraceutical raw ingredients markets. The combination of PhytoSPHERE Systems superior technology and proprietary processes, genetically consistent products, and tissue culture based plants, gives us the ability to produce the cleanest and highest quality pharmaceutical grade extracts and compounds currently on the market. Initially, these extracts and compounds will be used in the manufacture of products to be distributed through MJNA's portfolio companies, thereby giving these companies and MJNA a distinct competitive advantage.

PhytoSPHERE's highly efficient growth, packaging and extraction technologies provide clients a compact, safe, pollutant-free facility which will allow it to:

- Greatly increase plant production through yields that significantly exceed traditional methods.
- Completely control the cultivation environment resulting in superior plant growth, uniform strain purity, quality crop production, and year-round production potential.
- Reduce per-unit costs compared to traditional methods by eliminating the use of pesticides, fungicides and herbicides.
- Produce Pharmaceutical grade extracts.
- Establish antibacterial environments and packaging systems.
- Control post production processing with proprietary standardization methods.

PhytoSPHERE's core technologies consist of:

- A module that places rows of plants perpendicular to an interior light source, which helps accelerate the growth rate and efficiency of the particular plant that is being cultivated.
- Computer operated sprayers ensure even distribution of nutrient feeding solutions to the crops resulting in an abundance of plants with strong, compact, and multi-directional growth. This state-of-the-art technology is fully contained, meaning crops can be grown year-round in any location using precise combinations of light, water, and nutrients to maximize production.
- A proprietary antibacterial product clipping, curing and packaging system, allowing for a truly pharmaceutical grade method of cultivation.
- An extraction and production process for cannabinoid based compounds derived from the cannabis plant, which uses standardized processes and technology to create the world's leading pharmaceutical grade extracts.

PhytoSPHERE Systems entered into exclusive agreements with several international hemp production facilities\crops which were harvested during 2012. These facilities will take a significant amount of resources and capital from the company. The Company supplies all of its affiliates, subsidiaries and product manufactures with its oil.

CanChew Bio-Technology focuses on the treatment of pain and other medical disorders with the application of chewing gum based cannabis/cannabinoids medical products. The company targets research and execution of their clinical development plan and subsequently out licensing of their technology. The development focuses on the R&D of the formulation, production and the development of chewing gum based products in their respective fields (e.g: for the treatment of numerous diseases like pain, nausea and vomiting, anorexia, spasticity and various other symptoms).

Product Development

CanChew Bio-Technology holds a patented technology (US Patent: US 2011/0097283 A1 International Patent: WO 2009/120080 A1) which comprises the inclusion of regulatory acceptable active pharmaceutical ingredients [API] of the cannabinoid variety in a patented and proprietary chewing gum delivery

formulation which is called MedChewRX. MedChewRX for medical purposes, specifically pain treatment associated with a variety of long term, chronic or degenerative diseases whereby cannabinoid therapy is finding increasing application in a global marketplace.

CanChew Biotechnology Advantage

The CanChew® formulation offers a unique, socially acceptable, patient friendly, taste masked and convenient delivery format for delivery of the cannabis/cannabinoid(s) based medicine via the oral mucosal membranes. CanChew's full oral-oropharyngeal mucous membrane delivery method is superior to other delivery methods.

Advantages of Oral Mucosal Drug Delivery system:

- Bypass of the gastrointestinal tract and hepatic portal system, increasing the bioavailability of orally administered drugs that otherwise undergo hepatic first-pass metabolism.
- Drug is protected from degradation due to pH and digestive enzymes of the middle gastrointestinal tract.
- Improved patient compliance due to the elimination of associated pain with injections.
- Sustained drug delivery.
- A relatively rapid onset of action can be achieved relative to the oral route.
- Oral mucosal systems exhibit a faster initiation and decline of delivery than do transdermal patches.
- The large contact surface of the oral cavity contributes to rapid and extensive drug absorption.

The Company has entered into a contract with a GMP manufacturer for its over the counter product. The company is currently looking for a GMP Pharmaceutical manufacturer for its MedChewRX Pharmaceutical Drug, Clinical development and trials. The two require different certifications. The Pharmaceutical\Drug certification is much more strenuous and is required for our clinical development of the MedChewRX product. The company executed a soft launch of the over the counter consumer CanChew Gum in the fourth quarter 2012 and anticipates a hard launch of the product in the first half of 2013. The company expects to expend a significant amount of capital developing the over the counter product and significantly more for the clinical development. It is unknown at this time how much capital will be needed for this expansion.

The Company anticipates starting its clinical trials in Europe in 2013 and the overall clinical development taking three to five years. The company has a significant strategic advantage to its product and the development of this business.

CORPORATE GOVERNANCE

We believe that good corporate governance is important to ensure that the Company is managed for the long-term benefit of our stockholders. This section describes key corporate governance practices that we have adopted.

The nature and extent of the Company's facilities

The Company has executive offices at:

Corporate Office

Medical Marijuana Inc.

2665 Ariane Drive Suite 207

San Diego, CA 92117

Toll Free: 877-770-3838

Facsimile: 888-651-0349

Email: Info@medicalmarijuanainc.com

URL: www.medicalmarijuanainc.com

CanChew Bio-Technologies

Kuyperstraat 5

3404 HL IJsselstein, Netherlands

Toll Free: 877-770-3838

Facsimile: 888-651-0349

Email: Info@CanChewbiotech.com

URL: www.CanChewbiotech.com

Management Structure and Financial Information

Information on Executive Management Team, Board of Directors and Advisory Board

The Company is in process of interviewing additional candidates. The positions consist of board members, advisory committees as well as executive management team members. This process is not to be rushed, it is imperative to establish a solid team of highly skilled managers and directors.

- A. **Post-March 23, 2011 Management Change Interim-Transition-Officers and Directors. The Company is evaluating several professional individuals to fill vacancies and will disclose at such time as appointed.**

Board of Directors

The Company's Board of Directors is comprised of highly qualified and industry professionals. The Board assists the Management team in making appropriated decisions and taking effective action. Currently there are three members on the board.

Chairman	Michelle Sides
Director	Gideon Wolf
Director	David Farrand

Advisors to the Board

The Company has an informal Advisory Board that is available to provide business advice and counseling to the Management Team of the Company. The Advisory Board is appointed by the President and/or other key executive members, and does not involve itself in any matters involving corporate governance of the Company.

CanChew Bio-Technologies Medical Advisory Board

Dr. Philip A. Van Damme
Dr. George Anastassov
Lekhram Changoer

Advisory Committees

Risk Management Committee

Vernon Darrimon

Agricultural Committee

Gideon Wolff
David Farrand

Management

Michelle Sides

Chairman of the Board, Chief Operating Officer
2665 Ariane Drive, Suite 207
San Diego, CA 92117

Prior to joining Medical Marijuana Inc., Ms. Sides was Chief Operating Officer for HDDC d/b/a CannaBANK, Inc, located in San Diego, California. She earned her law degree from Nova Southeastern University. Member of the Florida State Bar Association. Holds a Bachelor of Science Degree from Palm Beach Atlantic College, majoring in Business and Organizational Management. Before joining the North American Team, Michelle spent six years as Board of Director, Executive

Vice President and General Counsel for EH Building Group II, LLC which was nationally recognized as one of the fast growing developers in 2006-08 winning numerous awards for production, design and marketing. Prior to EH, Michelle honed her legal expertise as Legal and Operations Manager for the Commonwealth Network Corporation, as well as the Director of Legal Affairs for Power Sports, Inc. Both of these positions focused mainly on corporate and real estate transactional law.

Ms. Sides is on the Board for Hemp Deposit and Distribution Corporation and is the controlling shareholder. Ms. Sides owns 40,195,000 shares of Medical Marijuana, Inc.

Dr. Philip A. Van Damme

Director, CanChew Bio-Technologies
Kuyperstraat 5
3404 HL IJsselstein, Netherlands

Dr. Philip. A. Van Damme, DMD MD PhD, was born in Yerseke, The Netherlands Dr. Van Damme is an oral & cranio-maxillofacial surgeon living and working in the Netherlands.

Dr. Van Damme first studied dentistry at the Utrecht University Dental School (Rijksuniversiteit Utrecht, The Netherlands) from 1971 through February 1977. He then fulfilled his military duty in the Dutch Royal Navy from May 1977 through October 1978, as Lieutenant-Dentist. Dr. Van Damme studied medicine at the Utrecht University Medical School, the Netherlands from 1978 through January 1983. He trained in general surgery at the Joannes de Deo Stichting Hospital from July 1983 through April 1984, while taking the International ECFMG/VQE examinations in Paris, France. Dr. Van Damme was trained in Oral & Maxillofacial Surgery in the University Hospital Nijmegen, The Netherlands from May 1984 through May 1988.

His PhD Thesis titled: Sub periosteal Palatal Soft Tissue Expansion was submitted on December 6, 1996 at the Nijmegen University (Katholieke Universiteit Nijmegen). Dr. Van Damme has been Section Editor of the Journal of Cranio-Maxillo Facial Surgery, for the sections Research, Development and New Horizons, and Reviewer for different other scientific journals. There are more than 70 PubMed listed publications and he presented more than 100 times at national and international scientific meetings. In 2004, Dr. Van Damme had dual roles of being Visiting Professor in the Mount Sinai Hospital in New York, USA, and Visiting Surgeon in the Burdenko Institute in Moscow, Russia. In subsequent years he held numerous staff positions at several well respected medical clinics in the Netherlands. Together with Prof. George E. Anastassov MD DDS FAC, he has a patent application (US20110097283 – EP2280687 – CA2719830) on chewing gum compositions comprising Cannabinoids.

In December 2007, he became Director-owner of Mareda Holding BV (Investment Company) and President-founder of Stichting Sanammad (intellectual property foundation) together with Lekhram Changoer MSc BSc).

Dr. Philip A. Van Damme owns shares of Medical Marijuana Inc.

Dr. George E. Anastassov

Director, CanChew Bio-Technologies
Kuyperstraat 5
3404 HL IJsselstein, Netherlands

Dr. Anastassov graduated with BA Degree in Fine Arts, followed by MD Degree and a DDS Degree, and currently is completing his Executive Physician MBA degree.

Dr. Anastassov is trained in Surgery, Oral and Maxillofacial Surgery, Plastic Surgery and Craniofacial and Base of the Skull Surgery both in the United States and Europe. His training was acquired at the following institutions: A Fellowship in Cranio-Maxillofacial Surgery (Prof. H.P.M. Freihofer), The Catholic University, St. Radboud Hospital, Nijmegen, the Netherlands, Residency at the Department of Oral and Maxillofacial Surgery, Montefiore Medical Centre, Albert Einstein College of Medicine, New York, Followed by a further Fellowship in Craniofacial and Base of Skull Surgery, at the department of Cranio-Maxillofacial and Plastic and Reconstructive Surgery (Prof. Dr. Dr. Dhc Ulrich Joos), Wilhelms University, Münster, Germany.

He has variety of clinical and administrative appointments including Associate Clinical Professor Maxillofacial Surgery, The Mount Sinai School of Medicine, Associate Director, Department of Maxillofacial Surgery, Elmhurst Hospital Centre, N.Y., Attending, Department of Maxillofacial Surgery, The Mount Sinai Hospital, New York. Consultant in Maxillofacial Surgery, Bronx VA Hospital Centre, N.Y., Attending Surgeon, Department of Otolaryngology/ Head and Neck Surgery, Beth Israel Medical Centre, New York. He also is a Visiting Professor, Department of Cranio-Maxillofacial Surgery and Plastic and Reconstructive Surgery, Wilhelm's University, Munster, Germany.

He is the principal at Maxillofacial Surgery Services in New York City.

Editorially, Dr Anastassov is presently active as Editorial Consultant for 'Head and Face Medicine', 'Graefe's Archives for Clinical and Experimental Ophthalmology', 'Journal of Oral and Maxillofacial Surgery', 'The Journal of Oral Surgery, Oral Medicine, Oral Pathology and Radiology', 'Issues in Maxillofacial, Plastic and Reconstructive Surgery, Implantology and Clinical Stomatology' and 'Craniomaxillofacial Trauma and Reconstruction'. He is on the Editorial Board of 'The International Journal of Oral and Maxillofacial Surgery' and 'Folia Medica'.

Dr. Anastassov holds 9 US & European Professional Society Memberships and is double board certified. Dr. Anastassov has published books and chapters in 3 professional textbooks as well as 46 peer-reviewed journal publications and has presented in as an invited guest lecturer on 104 national and international professional meetings.

Dr. Anastassov owns shares of Medical Marijuana Inc.

Lekhram Changoer

Director, CanChew Bio-Technologies
Kuyperstraat 5
3404 HL IJsselstein, Netherlands

Lekhram Changoer was born in Surinam (South America). Lekhram holds a Bachelor Degree in Analytical/Organic Chemistry and Masters Degree in Organic Chemistry. He has over 20 years of experience in the area of Sales & Marketing, R&D, product development, and quality assurance of

technical, consumer healthcare and pharmaceutical products – all servicing European and other international markets.

In 1992 Lekhram first joined IWC Chemical products BV where he was responsible for the development of functional coatings and corrosion inhibitors for the chemical industry: Yara, Kemira, and others. In his second corporate role, Lekhram joined Scott Specialty Gases BV where he was responsible for managing the R&D, QC and QA of functional calibration gases for the petrochemical and automotive Industry for companies such as Mercedes Benz, Rolls Royce, Dera, Shell, Exxon, and General Electric.

In the area of consumer healthcare products, Lekhram worked on the development of cosmetics and medical device products for various retail chains and consumer healthcare companies. At Codi International BV he was responsible for managing product development in the field of wet wipes and successfully developed products for companies such as Proctor & Gamble, Sara Lee, Henkel and Reckitt Benckiser. In 1999 Lekhram's career took him to Royal Sanders BV with the position of R&D & QC manager – here, he was responsible for the development of cosmetics, medical devices and other healthcare products for clients: Sara Lee, Colgate Palmolive, Virgin Cosmetics, Keune Cosmetics and private labels for various retail chains: Ahold, AC Watson, DM and Rossmann.

In 2002 Lekhram joined the Ardoz/NGen group of companies as a Managing Director. During his tenure his achievements included the filing new patents in the field of active oxygen therapy. This incorporated the accreditation of the products by the Dutch Skin Foundation and the British Dental Health Foundation. He developed new oral healthcare drug applications for periodontitis, peri-implantitis / bone repair and oral mucositis. The OTC products with active oxygen, amongst others also a new chewing gum application (for Perfetti van Melle in Italy), were successfully launched under his directorship in markets at: Boots, Ahold and El Corte Ingles Pharmacy retail and pharmacy chains under the cosmetic 76/768/EEC and medical device 93/42/EEC directive.

In 2010 Lekhram co-founded APeT BV (www.apetholding.com) which focuses on a first of its kind patented therapy for psychiatric diseases like ADHD and Autism as a replacement for methylphenidate and analogs. This therapy involves an in-house developed diagnostic and treatment with the human body's own internal compound(s). The impact on national healthcare has been so important that he has been able to get the largest Dutch insurance company to fund the clinical trial, after which it will most probably become the new standard of care. A new patented pharmacotherapy was filed, which will guarantee protection of the therapy as well as patient therapy loyalty.

In association with Prof. George E. Anastassov MD, DDS, FAC and Dr. Philip A. Van Damme, DMD, MD, PhD, the Sanammad Foundation (www.sanammad.com) was established in 2010 – the Sanammad Foundation holds internationally patented technology on chewing gum compositions comprising Cannabinoids.

Lekhram is also involved and co-founder in: CFM Pharma BV (www.cfmpharma.com) which holds patented technologies and focuses on the prevention of secondary injury in indications such as deep burn wounds, myocardial infarct and general trauma. GCP Dental BV (www.gcp-dental.com) has developed a 100% patented biocompatible material for restorative dental applications (where Glass Carbomer® Technology allows the tooth to heal itself) with a global market approach.

Mr. Changoer owns shares of Medical Marijuana Inc.

Tripp Keber

President, Red Dice Holdings

Tripp Keber is President of Left Bank, Inc., a Denver-based real estate investment firm with holdings in Aspen and Denver, Colorado, and Florida. Prior to Left Bank, Mr. Keber held several senior level positions in the telecommunications industry as General Manager of ICG Communications, Senior Vice President for Sales and Marketing at eLink Communications, Sales Director for National Accounts for Pathnet, and as Sales Manager for Winstar Telecommunications. He also served as the Director of Sales and Site Acquisition for Milliwave, LP, and spent three years in sales and sales management in the cable industry. Mr. Keber has a BS in Political Science from Villanova University and currently resides in both Aspen and Denver, CO with his family.

Chuck Smith

Chief Operating Officer, Red Dice Holdings

B. Legal/Disciplinary History

None of the above named persons have been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding within the past five years.
2. The entry of an order, judgment or decree not subsequently reversed, suspended or vacated by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended, securities, commodities, or banking activities.
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated.
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Disclosure of Family Relationships

There are no family relationships among and between the Company's directors, officers, persons nominated or chosen by the Company to become directors or officers, or beneficial owners of more than five percent (5%) of any class of the Company's equity securities.

D. Disclosure of Related Party Transactions.

The Company has participated in related party transactions within the past two years as stated herein. The Company has entered into an agreement with Hemp Deposit and Distribution Corporation DBA CannaBANK Inc., a beneficial owner of more than five (5%) percent for the development and acquisition of several key company purchases. The company has also sold product from its raw materials manufacturer PhytoSPHERE Systems to other Medical Marijuana Inc., own, operated or subsidiaries. Please see attached exhibit.

Financial Information for the Issuer's most recent fiscal period

Financial information is included as an attachment as an exhibit to this statement.

Inherent Limitations of Internal Controls

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention and overriding of controls and procedures. A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to human error or mistake. Additionally, controls, no matter how well designed, could be circumvented by the individual acts of specific persons within the organization. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all potential future conditions.

Similar financial information for such part of the preceding fiscal years as the issuer or its predecessor has been in business.

Financial information is included as an attachment as an exhibit to this statement.

Beneficial Owners

Beneficial Owners of 5% or more:

<u>Name</u>	<u>Address</u>	<u>Shares or Controlled</u>	<u>Percent</u>
Hemp Deposit and Distribution Corp. And its affiliates	2665 Ariane Dr Ste. 207 San Diego, CA 92117	411,900,000 Restricted\Affiliated	44%*

TOTAL SHARES HELD BY BENEFICIAL OWNERS: 411,900,000

*Based on total issued and outstanding shares of 935,988,318

The name, address, and email address of each of the following outside providers that advises the Company on matters relating to operations, business development and disclosures.

1. Investment Banker

None at this time- Actively Searching

2. Promoters

The company has hired SmallCapVoice.com to act as its investor's relations arm and has participated in company awareness campaigns with several parties.

The company has also promoted its products via several marketing and awareness channels. These include web, video, audio and email. A complete list of products can be found on our corporate website.

3. Security and Exchange Counsel

Securities Attorney
Law Offices of Michael Corrigan
Michael Corrigan, Esq.
Carmel Valley Centre II
11995 El Camino Real, Suite 301
San Diego, CA, 92130

4. Auditor

Anthony W. Imbimbo & Associates
2445 5th Avenue, Suite 350
San Diego, CA 92101

5. Public Relations Consultants

None at this time- Actively Searching

6. Investor Relations Consultant

SmallCapVoice.Com, Inc.
Stuart T. Smith
Phone: 512 267-2430
Facsimile: 512 267-2530
www.smallcapvoice.com
ssmith@smallcapvoice.com

Internal - Investor Relations Contact

Christopher Moreo
Phone: 858 926-5588
investorrelations@medicalmarijuanainc.com

7. Company Consultants

Equiti-Trend Advisors, LLC
Carmel Valley Center II
11995 El Camino Real, Suite 301
San Diego, CA 92130
(800) 953-3350
admin1@equititrend.com
www.equititrend.com

Management's Discussion and Analysis of Plan of Operations Through 1st Quarter 2013

A. Plan of Operation

The Company had varying and inconsistent paths in 2011 that have been evaluated by current management. Currently, the Company has re-identified the critical paths of operating its business going forward. The first is the Hemp Extract Cannabidiol (CBD) product line. Medical Marijuana, Inc. cannot make any medical claims for the treatment, diagnosis or curing of any diseases or ailments, because the product is not FDA approved, nor is the Company intending to seek that approval in the near future. The Company plans on selling the product to Nutraceutical and Pharmaceutical companies as a raw ingredient and is also planning on selling in its own products as a dietary supplement. Cannabidiol is an extract taken from the hemp plant.

The Company is currently working with distributors in the United States, Latin America and Asia to distribute the product line. These arrangements are critical to the timeframe in which revenue will accrue for the Company. Direct sales are also being looked at through The Hemp Network. The products will also become available through health and wellness facilities already aware of Cannabidiol and related products. Currently there are over 2,200 accounts in the Company's database to submit products to, this database to come public in the coming quarters via an online site that will list all of the health and wellness facilities.

The Company is in the process of syndicating additional production of high Cannabidiol (CBD) rich hemp for planting. The company is focused on several key markets North America Via Canada, Europe via Romania, France, Spain and or the Netherlands, these key markets are countries that allow for the cultivation of industrialized hemp containing less than .3% THC. The development, acquisition and integration of additional suppliers and farmers is key to the success of several of our key businesses.

More discussion to future evaluations on marketability will be discussed in the near future.

In 2011, the Company focus was the development of county operating procedure package for patients and caregivers. Each procedure package was created specifically for each individual state, as well as for each legal county and city within that county where medical marijuana is legal. Until recently the federal government did not define "caregiver". After significant evaluations of the current business plan, the Company has decided to hold off on this focus to concentrate on its current product lines and acquisitions in the best interest of the Company.

Another critical path for the Company is The Hemp Network. The Company is currently looking to expand The Hemp Network products line and increase its distributor base for expanded distribution. The use of Hemp is growing dramatically and will continue to grow as new uses for it are constantly being developed. The Hemp Network is looking to expand its product line to match the demand growth. At the time new management took over the Company, the Hemp Network had launched two products: a hemp blend with mushrooms and fish oil and a hemp omega line. Both products had minimal sales. To date The Hemp Network now has in excess of

twenty products for the new Hemp Network 2.0 which is expected to launch in the fourth quarter. Several issues were found with the tracking system Apogee. These are being corrected, a new website for the division has also been created and the back end shopping carts for the affiliate and multi sales program being developed which will accompany the Hemp Network 2.0 launch. The Hemp Network currently has in excess of 6500 sales agents awaiting the launch. The Hemp Network will also sell Cannabidiol (CBD) based products to its client base. The websites for both the Company and The Hemp Network have undergone significant restructuring to vastly improve user access to industry information as well as products. In conjunction with Apogee, the Company is creating a more productive and cost efficient system to be utilized for the various divisions. More discussion regarding other potential products and marketability shall be discussed in the near future.

Additional Notes 1st Quarter 2012

The Company acquired a fifty percent interest in Cannabis Marketing Group, a company consisting of highly skilled internet and video marketing executives. Cannabis Marketing Group is not expected to become profitable in the near future but is intended to cut the costs of website development, online marketing, advertisements and email response and marketing campaigns by directly supporting these efforts instead of outsourcing these tasks. This company will be crucial in the awareness of the brand and products. The agreement calls for the Company to issue \$200,000.00 worth of Company stock to Cannabis Marketing Group, which to date has not been issued.

Additional Notes 2nd Quarter 2012

The Company in the second quarter of 2012 closed on several key transactions which consisted of the acquisition of CanChew Bio-Technologies, Red Dice Holdings, Hemp Meds RX and PhytoSPHERE Systems.

The Company has allocated from CannaBANK's equity \$1.45 million worth of stock to complete the Red Dice Holdings transaction. The Company also anticipates using cash flow from operations to fund the expansion of the brand and development of additional products, or it will seek to raise additional capital. The Company sees a large opportunity to market and sale the branded products worldwide. The demand for the products and its brand has continued to grow through this quarter.

The Company has allocated \$4.7 million of stock to develop the CanChew Bio-Technologies soft launch. The company anticipates using cash flow from operations to fund the expansion and development of the company, or it will seek to raise additional capital. The Company believes that the CanChew medicated gum will be a significant revenue source in 2013 from the sales of the over the counter product. Once Clinical development is completed and all appropriate approvals given, if given, then its anticipated that the CanChew medicated gum will expand into several key markets; Pain, Multiple Sclerosis, Nausea Management and general health. Each specific claim will need to be evaluated and clinical trials will need to be commenced in order to receive the appropriate FDA approvals to market the products under specific functional medical claims.

The Company has allocated from CannaBANK's \$4 million, \$1.1 million worth of its stock to develop the PhytoSPHERE systems hemp production facilities. Once the first crop is harvested,

and oil produced and sold and if and when profits realized, the hemp oil production should then cover its own costs and the costs of the entire company's development. It is estimated that the company will receive \$7 million dollars plus in additional revenue in 2013 from the development of its hemp oil. The company will have to expend an additional \$1.2 million dollar by the end of the year. These funds will need to be raised in order for the completion of its year end crops.

Additional Notes 3rd Quarter 2012

PhytoSPHERE systems successfully completed the development of its first full cycle hemp corp in Eastern Europe. Our exact production location is kept confidential for intellectual property rights. The company and its affiliates have expended a significant amount of resources to find the proper microclimates, cultivars and production staff. Therefore the company is not disclosing at this time those areas in which it cultivates its hemp production, until which time the company is confident in its competitive advantage and market dominance. The company is expected to produce no less than 365 Million Milligrams of raw hemp based CBD.

Medical Marijuana Inc., launched with Red Dice Holdings, LLC (which is owned 60% by Medical Marijuana Inc.) the Dixie X line of Hemp CBD products, which was subsequently renamed Dixie Botanicals. The company has launched the products for sale online for retail as well as for its compassion care club which is membership to receive 25% discounts on your 12month monthly orders. The online retail sales and compassion care club are now making up nearly 2\3rds of Dixie X sales. Products have had a significant market awareness program launched which has included radio, print and online media advertising. The company is expanding its wholesale sales and distribution state by state through distribution partners, currently in Arizona, Washington and New Mexico. The company is expecting significant market expansion and sales through conventional sales and marketing companies for alternative and natural food sales channels.

Wellness Managed Services, as previously announced that it is working on negotiations for the purchase of a chain of health and wellness centers with 12 locations and growing.

Wellness Managed Services has been in negotiations with several Canadian Health Care providers to distribute the company products. The company has also discussed the opportunity to invest in the retail wellness and integrative medicine centers. The company will update shareholders on the progress. The transaction has been put on hold pending legal review for tax, sales, import and exports, and Canadian health department statutory review.

The Company has been in discussion with several companies in regards to significant investment or potential join venture opportunity on PhytoSPHERE Systems, CanChew Bio-Technologies and Wellness Managed Services. To date the discussion are not formalized. Management will update as deemed appropriate.

Additional Notes 4th Quarter 2012

Red Dice Holdings

Dixie brand, has successfully launched the Dixie X product line, which was rebranded Dixie Botanicals in the 4th Quarter 2012. The Dixie Classic brand of products which includes in excess of 60 products within its portfolio has products\accounts in the state of Colorado in excess of 550 locations. This market is expected to expand rapidly through additional licensing agreements as well as Dixie is planning on opening its own facilities in additional key markets. .

SUMMARY:

- Acquired the rights and intellectual property to Dixie Elixirs, the most recognized product brand in the medical marijuana industry
- Increased product distribution in Colorado to over 500 retail locations
- Established first licensing relationship in Arizona for the Dixie Elixirs brand
- Developed and launched the first high concentration CBD Hemp Wellness product line, called Dixie X then subsequently re-launched as Dixie Botanicals
- Established GMP manufacturing partnership for large scale production and distribution of Dixie Botanicals
- Launched first wholesale sales team in California for Dixie Botanicals
- Received significant media attention of the brand including the following (to view click on title):

[60 Minutes "Overtime" segment](#)

[60 Minutes "Rocky Mountain High Segment"](#)

[Fast Company "Innovation Agents"](#)

[Canal +](#)

[PBS / WBUR](#)

[Stateline](#)

[Denver Post](#)

[Seattle Times](#)

[WTSP Story](#)

[Newsweek October 22 Cover Story, "The New Pot Barons"](#)

[Newsweek Cover Story Photo Gallery](#)

Wellness Managed Services

The Company has been in negotiations for nearly a year for the purchase and capitalization of a chain of retail stores in the health and wellness industry.

SUMMARY:

- Continued negotiations to provide management services to various wellness centers and retail outlets. Due to competing priorities, the Company delayed these discussions until further notice.
- Company sees significant acquisition opportunities within this segment of the market
- Once a facility is acquired WMS can integrate MJNA's Entire portfolio of products and services, truly providing the industry with the first fully integrated and branded stores, these services can include the following
 - Dixie Elixir Brand Products
 - HempMeds Rx Products
 - Integrated seed to sale tracking solution for all products
 - Security, taxation, inventory control and management
 - Branding, marketing and product integration
 - Store capitalization, expansion or disposition

PhytoSPHERE Systems

The Company has made significant progress in the development of its hemp derived Cannabidiol (CBD) oil. It has successfully completed its first full harvest of hemp which has to date produced in excess of 450 KG of CBD oil. The Company also completed the development of several additional high value oil's, these oils consist of different percentages and ratio's of cannabinoids as well as their acid counterparts.

SUMMARY:

- Acquired 80% of PhytoSPHERE Systems (before sale of PhytoSPHERE's assets to CannaVEST Corp. in December 2012)
- Harvested approximately 1,000 acres of specialty Hemp cultivars developed to yield high levels of Cannabidiols (CBD)
- Entered into agreement to license the brand name PhytoSPHERE and PhytoSPHERE Systems to CannaVEST, as well as sold its excess inventory and production agreement\facilities for \$35 million in cash and stock. This agreement allows MJNA to focus on the development of its brands and future acquisitions instead of farming or production. The companies reached an agreement to sell the oil to MJNA subsidiaries at a much reduced cost and without an additional upfront development and infrastructure costs
- The company produced its specialty Hemp cultivars in three countries, established a complete network of farmers within the microclimates necessary to produce its High Cannabidiol (CBD) Cultivars
- The company established a production team, research lab, production and extraction team to produce and export the High Value Hemp Cannabidiol Oil
- Company successfully produced over 560 Million Milligrams of High Value Cannabidiol Hemp Oil

CanChew Bio-Technologies

The Company in the 4th Quarter successfully completed a market survey and soft launch. The company had in excess of 1500 participants applied, the company shipped products to over 400 market survey applicants. The results of this survey are to be published in the 1st quarter of 2013. The company also submitted through Canipa holdings its CanChew line of products to a Romanian Research Institute to test its biocompatibility. The results of these tests will be published in the 1st quarter of 2013. The company has received several marketing and distribution offers from national and international companies. The company is determining its best options for the sale of its products. The company also received funding in from MJNA for its clinical development through the issuance of forty seven million (47,000,000) shares of MJNA common stock. The company is expected to start clinical trials in Europe in 2013.

SUMMARY:

- Acquired a 50% interest in CanChew Bio-Technologies (Click to View Patents: [US](#) and [International](#))
- Established GMP manufacturing partnership for large scale production of CBD chewing gum
- Executed soft launch and market survey in Q4 with over 400 customers and had over 1500 applicants
- Secured corporate approval and funding to begin development and clinical trials for European FDA equivalent medical drug approval
- Developing and extending patent rights to include other API's

- Developed a dual platform to sale the CanChew Gum as an Over the Counter (OTC) product without medical claim, while simultaneously securing its future clinical development
- Received Legal opinion letter from corporate FDA counsel allowing company to market and sale product using the term "CBD" or "Cannabidiol" within the label and packaging of it's Over the Counter (OTC) product

Canipa Holdings

- Formed Canipa Holdings as a holding company for European product approvals, import and export as well as distribution agreements
- Received approval to market and sell Hemp oil and Hemp based wellness products in Romania through an established distribution partner, once market is established the company will then look to license brands to distribution partners throughout Europe

Additional updates from Management and Discussion

In addition to its financial audit, and consistent with the Company's efforts to ensure disclosure and the Company's compliance with applicable state and federal laws and regulations, the Company has retained outside legal counsel to undertake a review of material actions by the Company since March 2011 and prior, when the management and board of directors were effectively replaced and the Company changed its operational and product focus. The review included, among other things, an analysis of filings with the State of Oregon relating to the sufficiency and validity of corporate filings with the state, matters relating to all issuances of stock of the Company to employees, private placement investors, lenders, acquisition transactions, suppliers of services, and others who received common stock as part of or in lieu of cash as compensation, and the Company's policies relating to such transactions involving the potential issuances in the future.

This legal review commenced in early January 2013 and preliminary results were presented at a meeting of the Board of Directors in the first quarter, 2013, with appropriate resolutions being adopted by the Board to address some of the initial findings. This review included product marketing and sales, product claims, clinical development plan, marketing and sales of direct to consumer goods while having products under clinical development, labeling, website content as well as financial disclosures and audits to name some of the topics. The Company expects that the review, as well as its recommendations and corrective actions, if any are necessary, will be substantially completed by the end of the second quarter 2013. It is further anticipated that a summary of the review, as well as the adoption of any recommendations requiring the approval of shareholders, will take place at a shareholders' meeting that is currently being scheduled.

Employment Stock Issuance, Warrants and Additional Compensation

As part of the compensation package for executive management and its team members, the Company has elected to provide stock based compensation as part of its corporate strategy. The Company has several key employee contracts with members of its executive team and subsidiaries including the employment agreement with Ms. Sides who earned 22,820,000 shares as of 3/23/11 in lieu of full compensation and 17,375,000 earned on 3/23/12 in lieu of full compensation, ratified by Corporate resolutions dated January 15, 2013 and in compliance with Rule 144 Restrictions. Ms. Sides is entitled to sell shares in accordance with Rule 144 and the affiliated "Drip Rule" which limits any sale amount to no more than one (1%) percent of the

issued and outstanding shares. As of the date of this filing, Ms. Sides has register one (1%) as required by Security and Exchange (SEC) regulations but has not sold any of her personal shares.

As part of the compensation package for Key members of its Subsidiaries, the Company has established an employee compensation package for the Red Dice Holdings (RDH) team members. These shares are issued as compensation and reward for the services that have been provided by its key team members. As of the date of this filing 03/15/13, the Company has issued a total of 1,700,000 shares. These shares are issued in accordance with Rule 144.

As part of the of the acquisition of the Dixie Brand and as part of the Red Dice Holdings transaction, the Company issued Stock Option Warrant Agreements to Vincent M. Keber and Charles Smith for 1,666,666 shares each at a cost per share of .06 cents. These warrant options expire if not executed and paid for in full on April 4, 2014. These shares are to be issued in accordance with Rule 144 and are subject to the "Drip" Affiliate Rule.

B. Management's Discussion and Analysis of Financial Conditions and the Results of Operations

The Company's management is evaluating all aspects of the prior business plan as identified in Section C II A8. Each item is being carefully evaluated to determine the likelihood of success, profitability, marketability and overall productivity; this has included staff and compensation for team members.

Currently the Company does have sufficient capital available to fund operations, but will be in need of additional capital to build out several pending facilities, close on key acquisitions and the integration of those businesses, additional capital will need to be raised to complete those transactions, which may include the sale of additional securities of the issuer as well as additional debt obligations. To date, the Company has been funded by way of private placements and several key officers and directors' direct investment and payment for hemp oil cash flow rights. The Company will need to continue to raise additional funds until such time as it is generating sufficient revenues from operations\expansion and acquisitions. The key management and personal have been compensated with majority of stock based compensation to be paid over the course of the coming quarters. The company feels stock based compensation in a startup phase is a much better way to build its team and key personal. At this time the Company cannot accurately predict revenues to be generated or the funding required. In addition to revenues generated, the Company expects to be able to raise additional funds by way of debt or equity but there can be no assurance that such funding will be available as required or ever.

Over the course of the third quarter of 2011 the company experienced in the first week of July, its bank accounts being closed, because of the name of the company and its divisions, from The Hemp Network to Medical Marijuana Inc., this also affected our relationship with CannaBANK, BullNBear Group, as well as strategic options, which also caused transactions the company had positioned for acquisition and development to not close which cut our projected revenue by two thirds. We anticipate being able to establish new banking relationships with new institutions, however at this time because of the negative stigma with dispensaries, the banks confuse our companies activities with the unlawful activities of certain marijuana businesses. This has caused our revenue for the 3rd and 4th quarters to be a third of what we anticipated, due to the banking

regulations and closing of those accounts. We recovered from this in the last weeks of the 4th quarter and reestablish those transactions. The Company is taking steps to ensure this situation will not negatively affect the company in the future. There is however no way to guarantee that the political and banking environment won't negatively affect the Company.

The Company had in the 1st Quarter of 2012 a significant growth in revenue. This increase in revenue is caused specifically by two areas of the companies operation and by two divisions. Wellness Managed Services accounted for nearly forty percent of the increase in revenue and the balance was due to an unexpected licensing fee arrangement for \$1.04 million from a previous transaction that was anticipated to close in the last quarter of 2011, however at that time due to the regulatory and banking environment it caused several of our previously mentioned transactions to be either put on hold and are still being finalized or restructured or those transactions were canceled. In this case the transaction was restructured via Hemp Deposit and Distribution Corporation through CannaBANK for a total consideration of \$1.04 million for the rights to distribute and receive in total twenty (20%) percent of the net income derived from the hemp oil and extracts division. The Company has spent in conjunction with CannaBANK a considerable amount of resources over the past quarters on developing its oil production business. Those focuses will soon switch from production to distribution in the coming quarters. The company feels a significant amount of its profit over the next forty eight (48) months will be derived from the sales and contracting of its oil and production technologies\facilities.

The Company formed PhytoSPHERE Systems a bio technology company specializing in the cultivation, extraction, packaging and tracking of hemp based products. The company will then need to focus on fund raising for this subsidiary for the development of production facilities focused. The company has no way of knowing once formed if it will have the ability to raise the necessary funds to develop said facilities. During the course of the second quarter we have sourced and started development of our hemp production facilities. The company expects to produce in excess of 400KG of high grade hemp oil prior to the end of the year. There are many barriers to entry in the production of high grade CBD hemp oil which prevents many competitors from entering. Those barriers are\but not limited to; Cost of research for cultivars, testing of cultivars, legal status of hemp, international legal status of hemp, import and export laws, taxes, specialty production, high cost of equipment and technical training. The Company anticipates expending \$1.2 million dollars more on the overall production of hemp this fiscal year.

Red Dice Holdings, a subsidiary focused on the manufacturing, distribution and licensing of the Dixie brand of products was closed in the 2nd quarter of 2012. The company paid a total consideration of \$1.45 million for sixty (60%) percent ownership of the brand, its equipment, accounts and intellectual property. The company plans on expanding its operations state by state through distribution agreements. The company plans on expanding on its current portfolio of products through development and acquisition. Currently the company has five distinct product lines and nearly fifty five products. Red Dice is expected to start purchasing high grade CBD hemp oil from PhytoSPHERE systems in the coming months. The company anticipates the demand for its hemp oil to grow as Red Dice Holdings continues to expand and build market awareness. The company anticipates raising additional capital to expand the operations of the company. Red Dice Holdings has not received any revenues from the sales of marijuana infused products that are sold in Colorado under the Brand name Dixie Elixirs.

The Company is currently working with several institutional investment firms to establish operating lines of credit. It is not known at this time if this will be linked as debt, or equity financing.

The Company is working with several international marketing and sales companies in which the company would receive a upfront fee for the opportunity of these firms in representing and distributing the company portfolio of products. These discussions have also involved guaranteed milestone payments and minimum sales volumes. The company anticipates closing on one or more of these marketing\sales agreements.

The Company is focused on growing its revenues domestically, at least for the foreseeable future. There is opportunity abroad; however the management has decided to focus the majority of its resources and capital on developing its current sales channels and establishing distribution agreements with leading industry firms.

PhytoSPHERE Systems in the 3rd Quarter successfully completed the development of its first full cycle hemp corp in Eastern Europe. Our exact production location is kept confidential for intellectual property rights. The company and its affiliates have expended a significant amount of resources to find the proper microclimates, cultivars and production staff. Therefore the company is not disclosing at this time those areas in which it cultivates its hemp production, until which time the company is confident in its competitive advantage and market dominance. The company is expected to produce no less than 365 Million Milligrams of raw hemp based cbd. The company is currently working with its subsidiaries and partners to develop additional products to sell to retail consumers. To date the company is selling the cbd hemp oil to our Joint venture partner Red Dice Holdings (Dixie and Dixie X brands) as well as to CanChew Bio-Technologies. The Company owed at the time to its President Michael Llamas \$125,000, that payment has been completed to Mr. Llamas. Mr. Llamas took a leave of absence from the Company's management and board of directors to handle personal issues not related to the Company businesses.

Additional 4th Quarter Financial Notes

PhytoSPHERE Systems, LLC exclusive license to CannaVEST Crop and Sale of Certain Assets

On December 31, 2012, PhytoSPHERE Systems, LLC (80% owned by the Company and 20% owned by Hemp Deposit and Distribution Corporation ("HDDC")) entered into an agreement in December to grant a license to PhytoSPHERE Systems, sell its inventory and supply contracts, as well as certain other assets to CannaVEST Corp., a hemp based agricultural company specializing in the development and sales of hemp based products. The terms of the Purchase Agreement require payment by CannaVEST to PhytoSPHERE of \$35 million in cash and/or stock. CannaVEST made its first payment to PhytoSPHERE of \$4,500,000 by the issuance of 900,000 shares of CannaVEST Corp. common stock, 720,000 shares of which (80%) have been distributed by PhytoSPHERE to the Company. Although CannaVEST Corp. may in its discretion pay the entirety of the purchase price in stock, we expect that some portion of the purchase price will be paid in cash. This cash flow will enable the Company to focus on building its core business through the expansion of its branded products and acquisition of additional brands without our core competence. In addition, the Company will continue to benefit from the solid supply chain relationships sold to CannaVEST through partnering arrangements that are currently in

discussions with the goal to ensure future purchases of high value CBD oil at a significant cost savings.

The Purchase Agreement requires payment as follows: (a) \$4,500,000 on or before January 31, 2013; (b) \$6,000,000 on or before March 30, 2013; (c) \$8,000,000 on or before June 30, 2013; (d) \$10,000,000 on or before September 30, 2013; and \$6,500,000 on or before December 31, 2013. For any installments paid by the issuance of stock, the number of shares of stock issuable by CannaVEST is determined by reference the closing price of our common stock on the day prior to issuance. The price is subject to a "collar", whereby in no event will the shares issuable pursuant to the Purchase Agreement be priced at more than \$6.00 per share, and in no event will the shares be priced at less than \$4.50 per share.

PhytoSPHERE is a Delaware limited liability company owned (80%) by Medical Marijuana, Inc. (MJNA.PK), an Oregon corporation, and (20%) Hemp Deposit and Distribution Corporation, a Delaware corporation. CannaVEST's Chief Executive Officer and sole member of our Board of Directors, Michael Mona, Jr., owns and/or controls approximately 37,337,000 shares of common stock of Medical Marijuana, Inc., which represents approximately 4% of the issued and outstanding shares of the capital stock of Medical Marijuana, Inc. as of February 11, 2013. Mr. Mona does not hold any management position with Medical Marijuana, Inc. or serve on its board of directors.

Other CannaVEST Corp Executives:

Edward A. Wilson. Mr. Wilson is a Director and President of Wilson & Company, a professional certified public accounting firm in Las Vegas, Nevada. Mr. Wilson is a member of the American Institute of Certified Public Accountants and the Nevada Society of CPAs, and is a President's Associate for the University of Nevada, Reno. Mr. Wilson began his accounting career with Price Waterhouse in San Francisco, California. Mr. Wilson's extensive accounting background makes him a valuable addition to the CannaVEST Board.

Theodore R. Sobieski. Mr. Sobieski recently retired from Morgan Stanley after more than 25 years with the firm. His title was Senior Vice President-Wealth Management, Financial Planning Specialist, Financial Advisor. Mr. Sobieski's extensive business background makes him a valuable addition to the CannaVEST Board.

Bart P. Mackay, Mr. Mackay is an attorney licensed since 1984 with emphasis in corporate finance, technology and entrepreneurial legal matters. Mr. Mackay has extensive experience in establishing and developing new enterprises both from management and operational aspects, including the formation and growth of several of his own ventures. Mr. Mackay's extensive business background makes him a valuable addition to the CannaVEST Board.

The foregoing summary description of the terms of the Agreement for Purchase and Sale of Assets may not contain all information that is of interest to the reader. For further information regarding the terms of the Purchase Agreement, please refer to the posting in the disclosure section of the OTC Market.

Medical Marijuana Inc., launched in conjunction with Red Dice Holdings, LLC (which is owned 60% by Medical Marijuana Inc.) the Dixie Botanicals line of Hemp CBD products. The company has launched the products for sale online for retail as well as for its compassion care club which is membership to receive 25% discounts on your 12 month monthly orders. The online retail sales and compassion care club are now making up nearly 2\3rds of Dixie Botanical sales. Products have had a significant market awareness program launched which has included radio, print and online media advertising. The company is expanding its wholesale sales and distribution state by state through distribution partners, currently in Arizona, Washington and New Mexico. The company is expecting significant market expansion and sales through conventional sales and marketing companies for alternative and natural food sales channels.

The Company has been in discussion with several companies in regards to significant investment or potential joint venture opportunity with CanChew Bio-Technologies and Wellness Managed Services. To date the discussion are not formalized, but we are expecting several Letters of Intent in the 1st quarter 2013. Management will update as deemed appropriate.

The Company has looked into several avenues to obtain its first institutional line of credit. At this time, the Company has not elected to proceed at this time with same.

The Company is and has been making significant management changes in regards to its Interim president, members of its board of directors as well as advisory committee. The Company is expanding through acquisition as well as growing its core business lines, with this growth the company sees opportunities for its key management to be hired by the board to additional management roles corporately. Our subsidiaries have key personnel that the Company is looking to utilize on a corporate level. The Company anticipates this to be an ongoing transition.

The Company commenced and completed its first audit since the inception of the Company. The audit was completed for the 4th Quarter 2012, and the Company is in the process of auditing back two years of its financials. Once the two years of financials are audited and complete, the Company will then send to a PCAOB SEC Registered auditing firm to recertify the audits, to be in compliance for SEC reporting and will continue with audits moving forward.

The Company is also evaluating several New York Stock Exchange (NYSE) Listed companies for purchase and possible integration in order to achieve a high listing and regulatory status. Acquisitions are being evaluated which may accomplish our goals of NYSE listing. There is no way of knowing if this can or will be accomplished, but at this time it is being explored.

Additional 1st Quarter 2013 Financial Notes

Expanded its portfolio of innovated cannabinoid based phyto-medical companies with an investment in KannaLife Sciences. The Company entered into an agreement for the purchase of 16% of KannaLife Sciences. KannaLife Sciences, Inc. ("KannaLife") holds an exclusive license agreement with the National Institutes of Health – Office of Technology Transfer ("NIH-OTT") for the commercialization of U.S. Patent 6,630,507, "Cannabinoids as Antioxidants and Neuroprotectants" (the "507 Patent"). The 507 Patent includes among other things, claims directed to a method of treating diseases caused by oxidative stress by administering a therapeutically effective amount of a non-psychoactive cannabinoid that has substantially no binding to the NMDA receptor. KannaLife intends to move forward with its commercial

development plan, and design a novel new drug compound for the treatment of Hepatic Encephalopathy (HE).

KannaLife Sciences ("KannaLife"), is a late stage bio-pharmaceutical and phyto-medical technology company. We were created to develop natural, phyto-medical products to be used in health and wellness regimens. We are also involved in the research and development of novel new therapeutic agents to be used as transport carriers for other compounds seeking to break the blood/brain barrier as well as our own compounds to be used for the treatment and prevention of oxidative and neuro-toxic stresses born from a variety of ailments and illnesses.

KannaLife's unique approach to drug development combines traditional healthcare practices utilizing natural medicine with western technology to create its pipeline of potential drug candidates for clinical development. Traditional healthcare dates back over 5,000 years, and, according to the World Health Organization, is the primary source of preventative medicine in approximately 80% of the world today.

The scientific team, comprised of dedicated professionals, clinicians and bio-chemists, all have a strong background in phyto-pharmaceutical, biological and Ayurvedic sciences with a long track record of successfully developing drugs from plant sources that are complex in nature and structure. The team also has the requisite relationships with nationally supported institutions of health as well as top academic food and science departments at several recognized universities in the United States. For more information on KannaLife Sciences please visit www.kannalife.com

The Dixie brand received national exposure in Fortune Magazine, Boston Globe, Martha's Vineyard Times, USA Today, Fast Company, Channel 5 Boston, increasing public awareness for the company and its brands.

Dixie brand continued product development and captured additional market share. Currently Dixie covers an estimated 90% of the addressable market based on the number of available accounts in Colorado.

PhytoSPHERE Systems signed a licensing agreement with CannaVEST Corp. (OTC: CANV) for the exclusive use of its name. MJNA also signed a contract with CANV to outsource its manufacturing as well as its hemp production\cultivation. The transaction allowed MJNA to streamline its focus to its core industries while still allowing the company to benefit for the production, distribution and growth of the brand and its licensee.

PhytoSPHERE Systems proprietary extraction technology helped the Company produce cost effective, high value CBD oil with concentrations of up to 85% by volume and expects to have full scale production of a 95% plus pre CBD extract in May of this year.

PhytoSPHERE successfully produced its first CBG (Cannabigerol) and CBGA (Cannabigerol-Acid) containing hemp oil. Opening up an entirely new market for product development and sales, as well as wholesale raw ingredient sales opportunity. CBG and CBGA have shown to have extensive health and wellness benefits.

PhytoSPHERE signed additional contracts to provide for significant expansion of its hemp oil products line.

Company expanded its US based laboratory with additional team members and equipment. MJNA is actively hiring in all departments. Company signed an additional lease space of 7,000sf for its expansion.

CanChew CBD gum is in full scale Over the Counter product manufacturing and production. Product sales to start third week in April.

Rebranding started of CanChew Bio-Technologies Corporate Website to be completed in April, updates include: Clinical development path with timelines and interactive update modules, additional and expanded research library. Rebranding and launch started of the CanChew over the counter product sales and informational website, which include: CanChew Store front and shopping carts, expanded social media and blog components, store availability tracker and locator, additional subscription options for clients in need of a larger supply of CanChew CBD chewing gum.

Canipa Holdings – Set up in 2012 to handle the marketing, sales and distribution of Medical Marijuana Inc.'s portfolio of products throughout Europe and the European Union Trade Zone participant countries made significant progress in the first quarter. This year we have seen medical marijuana being legalized in Italy and the Czech Republic, with nearly a dozen more countries in discussion of legalization for medical and/or recreational use. The company has set up a distribution network of pharmacies, clinics, wellness centers and retail stores that will allow us to offer our products to this developing market.

Canipa has finalized its terms for marketing, sales and manufacturing for 20 plus of its products for the EU and US markets. Of these products, 22 have along with the manufacturing agreements, received EU State Certificates of Health Safety Free Sale Certificates. This is one of the most significant developments in the Medical Marijuana Inc. product development. These products will be available through our entire pipeline of distribution and will over the coming quarters cross promote and develop brands for the USEU markets that address different consumer audiences and demographics.

HempMeds Online platform finished a transaction that included over 1700 online sales and marketing sites, which will allow our products to be marketed and sold on. The sites are managed real time with a database user interface, that allows all 1700 plus sales sites to be updated on pricing, news and many other features at a simple managers interface, which drastically saves capital and time, while dramatically increasing efficiency, tractability and our ability to quickly launch products. The company believes HempMeds has the ability to create groundswells within the cannabis and hemp industry online product sales and marketing community.

The company has greatly expanded its portfolio of products and has put these products into manufacturing over the first quarter of 2013. These products are to be launched this month. Products include CBD-Vape oil and vaporizers, reformulated and branded CBD product lines, Bulk Wholesales raw ingredients, CanChew Over the counter CBD gum, Flavored Vape-CBD product lines and many more.

The Company continues to explore several potential acquisition and investment opportunities in established cannabis and hemp related businesses.

Additional Management Discussion on 1st Quarter 2013

There have been some questions with regards to the CannaVEST transaction with PhytoSPHERE Systems. The current status of this transaction is as follows: MJNA currently owns and has owned 80% of PhytoSPHERE Systems, which is a global phytocannabinoid biotechnology company specializing in the production of hemp based compounds, oils and extracts. These include Cannabidiol (CBD), Cannabidiol-Acid (CBD-A), Cannabigerol (CBG) and Cannabigerol-Acid (CBG-A) as well as other beneficial cannabinoids, terpenoids and flavinoids. The PhytoSPHERE Systems is also developing a pipeline of Terpenoids and flavinoids. As part of the company's refocusing of management, time and capital, we decided to streamline our business focus.

Prior to PhytoSPHERE, these pipelines of products did not exist in any large quantity or steady supply. Since then, we have been able to sign an exclusive license with CannaVEST Corp, which would allow MJNA the benefit of its steady pipeline, while no longer having to deal with the day to day operating challenges and significant expenditure of operating cost. The company operates in five countries and three continents. Along with the licensing agreement, the Company agreed to sell its excess inventory as well as the contracts, subcontractors and production capabilities to CannaVEST as part of the transaction. This again allows the Company to no longer have to deal with the day to day operations, legal, export, import, licensing, continued development, considerable financial investments, staffing and costs associated with the logistics of the business while still owning 80% of PhytoSPHERE. CannaVEST provides the raw ingredients to the Company for the same price MJNA received prior to the execution of the license agreement. Once PhytoSPHERE's production increases and creates a decrease in the cost of production, a price reduction will be made available to MJNA and its subsidiaries.

The Company believes this will lead to significantly increased profitability for MJNA and its shareholders. The payment structure is as follows: CannaVEST is paying PhytoSPHERE Systems \$35 million through the end of 2013. The payments can be made in stock or cash, or a combination of both (please look at legal disclosure for exact terms). If CannaVEST pays in stock, PhytoSPHERE Systems becomes the majority shareholder in CannaVEST and gets to realize a cost savings in production, while also the increase in value it may get from the continued growth of the brand. If CannaVEST pays in cash, PhytoSPHERE Systems realizes a substantial increase in its cash position. To date PhytoSPHERE received in the 4th quarter a \$4.5m dollar payment in CannaVEST stock payment towards its licensing obligation, and as disclosed in subsequent filings, the Company has also received \$4.5m and a \$1.5m payment in stock from CannaVEST, for a total stock payment of \$10.5m towards licensing and partial inventory. The first payment of \$4.5mil was 100% credited as licensing, the second and third installments are credited as an inventory purchase. The details of the transaction will be addressed in our first quarter filings, on or before May 15, 2013. The balance of the \$24.5m payments\consideration will be broken up between inventory purchases first, then against the production contracts and the agricultural production team that was acquired by CannaVEST as part of the transaction.

In conclusion, we feel very positive about the transaction with CannaVEST. As it pertains to MJNA, we are able to maintain our cost for raw materials through an exclusive licensing agreement, and over time decrease our costs of raw materials while increasing our profit margins. This will decrease our operating expenses by over \$10 million dollars this year alone

(which encompasses the cost of our next production run, new equipment, leasing and expansion), free our cash flow up for additional product launches, and no longer have the day to day managerial and operational burdens related to raw material procurements. Our team and I have been working tirelessly 7 days a week to create this raw ingredients pipeline and now that it is built we no longer have to keep up that pace, we can use that time to devote to our consumer products and clinical development.

We received notification from the Depository Trust Company ("DTC"), that a deposit transaction restriction had been placed on MJNA to prevent additional share deposits until certain information was received. The DTC provided a list of over 140+ issuances that they were requiring supporting documentation for, as well as legal opinion letters relating to the same. As the issuances in questions were made prior to take over of management of the Company, we experienced significant difficulty obtaining the supporting documentation from former shareholders and officers. However, we have now been able to accomplish the task with the assistance of our Transfer Agent. The Company hired an attorney in January who has had significant experience working with the DTC to prepare the relevant opinion letters. All of this information has been provided to the DTC on February 6, 2013, the DTC informed us that they would respond no later than March 27, 2013. Unfortunately, whether it is because of the industry we are in or because of a requirement the DTC has put in place, they have now decided on March 29, 2013 that they would like opinion letters on all issuances placed with the DTC. We have again, gathered all of the requested information and the same was provided to our attorney as of April 23, 2013. Opinion letters are being drafted and will be submitted to the DTC as soon as they are made available. MJNA has done everything that has been asked, provided all of the relevant documentation, is in the process of gathering the additional opinion letters and will resubmit it back to the DTC within a few weeks depending on how long it takes to obtain the additional opinion letters. Unfortunately, we have no control over how long it will take for the DTC to review the information and, hopefully, remove the chill.

The Company has been asked by shareholders if MJNA is involved any marijuana or THC product sales and manufacturing. The Company does own through its 60% ownership in Red Dice Holdings, LLC the formulations, brand names and intellectual property of over 70 products containing THC or marijuana from the Dixie brand purchase. However the Company does not operate, distribute or sale those products, but has agreed to its use by a state licensed manufacture within Colorado and is in the process of expanding in several other states. Red Dice Holdings and MJNA does not and has not received any revenue from those operations and does not intend to, until and if marijuana is federally legalized. The company does plan on charging a fee for its use when it is in the best interest of the company via its licensing fee. So that it is clear, MJNA does not grow, sell or distribute marijuana under any circumstances as defined by the USCSA. Red Dice Holdings does sell hemp based products through Dixie Botanicals where these products are legalized and controlled.

We get many questions on what we consider Cannabis, Hemp, Marijuana and Medical Marijuana as well as how do we define them.

Cannabis L Sativa is a plant that encompasses both the industrial hemp and marijuana families. Marijuana is defined as containing a THC content (THC is the psycho-active ingredient) of more than 0.9% or products derived from the flower and leaves of hemp. In today's marijuana market, many marijuana strains contain over 10% THC, some

upwards of 20%. Industrial hemp would be defined as a variety of Cannabis L Sativa that contains less than 0.9% THC.

For informational purposes, marijuana has about 200 different strains (varieties) and generally refers to the recreational usage. In medical circles, the term "cannabis" refers to the medicinal usage of marijuana.

Industrial hemp was formerly a staple crop of the United States in Colonial times and hemp farmers include many famous names: George Washington, Thomas Jefferson and Benjamin Franklin. In all, over 30 industrialized countries allow for the growing and harvesting of industrial hemp, including our northern neighbor Canada. Industrial hemp has over 2,000 known cultivars and over 50,000 known industrial uses.

Marijuana, although classified as a Schedule 1 substance, seems to have many medicinal values and properties. In all, nineteen US States plus the District of Columbia have recognized medical marijuana and have programs where patients with certain needs, can obtain medical marijuana. There are well over 1,000,000 patients in the United States who are "medical marijuana" patients (www.procon.org) which means that a significant number of physicians in the United States do prescribe medicinal marijuana / cannabis for certain patients and their circumstances.

If one does not have a recommendation from a doctor for use, than use of marijuana is considered "recreational". With all the stresses we face in today's society, our opinion is that if there is something from natural sources that can help one to relax and deal with life's stresses with minimal side effects (compared to alcohol or tobacco) – then this should be allowed.

Prohibition – this was an attempt to end alcohol usage in the United States and was unsuccessful. Today there are many successful businesses and many thousands of people successfully employed in the alcoholic beverage industry in the USA. Many feel that legalization of marijuana for medicinal purposes would provide a significant boost to our economy, providing jobs, secure employment and more importantly help people where traditional medications have failed.

Industrial hemp provides many extracts, known as cannabinoids that have shown therapeutic value. One of the most abundant of these cannabinoid extracts is known as cannabidiol, or CBD. CBD has shown positive benefits for health and wellness advocates and we are proud to provide this key futuristic component of hemp oil in many of our products.

Besides the health and wellness benefits, industrial hemp can provide a complete food source through hemp seed products, building and construction materials, bio-plastics (plastics that actually bio-degrade and do not clog landfills), textiles and bio-fuel. Our company is exploring futuristic uses of all these component products of hemp.

Increased Transparency

As previously stated in the Letter to Shareholders: the Company been so focused on moving forward with the growth of operations, acquisitions, forming new partnerships,

finding new products and restructuring that perhaps we have fallen behind in keep shareholders adequately apprised of some developments. This will no longer be the case as it opens the door for those with their opinions or personal agendas to relentlessly attack our credibility and the business objectives of MJNA. As Chairman, I will make it a priority to address concerns and have more detailed updates on a more regular basis. We have retained numerous attorneys, hired auditors to not only perform audited financials going forward but to also go back and audit the last two years since the change in management at MJNA. This action is being taken not just to move the Company forward and to prepare for an up listing of our stock, but more importantly to provide directors, officers and shareholders with confidence associated with the existence of audited financial statements. It should also be noted that the Company is in an aggressive, emerging industry and many of the companies strategies are highly confidential.

C. Off-Balance Sheet Arrangements

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

D. Issuance History

Please see attached exhibits.

E. Purchase of Equity Securities by Issuer or Affiliated Purchases

Please see attached exhibits.

Part F Exhibits

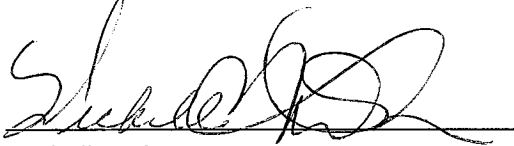
See Attached Financial Reports and Press Release for the 1st Quarter 2013.

ISSUER'S CERTIFICATION

Michelle Sides, Chairman of Medical Marijuana Inc, certify that;

1. I have reviewed this quarterly statement for the period ending March 31, 2013.
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 the disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in the 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.

Dated: May 15, 2013

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

Michelle Sides

Chairman of the Board of Directors and Chief Operating Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of

Medical Marijuana, Inc.

We have audited the accompanying comparative financial statements of Medical Marijuana, Inc. (an Oregon corporation), which comprise the balance sheet as of March 31, 2013 and the related statements of income, retained earnings, and cash flows for the period January 1, 2013 through March 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Medical Marijuana, Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Marijuana, Inc. as of March 31, 2013, and the results of its operations and its cash flows for the period January 1, 2013 through March 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Anthony W. Imbimbo, CPA & Associates

San Diego, California

May 8, 2013

Medical Marijuana, Inc.
Balance Sheet
As of March 31, 2013

	<u>March 31, 2013</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,479,128
Equity securities (Note 3)	13,281,828
Receivable RDH (Note 4)	1,897,987
Inventory (Note 5)	<u>951,853</u>
Total Current Assets	17,610,796
Other Assets	
Red Dice Holdings (Note 6)	1,450,000
CanChew Biotech (Note 7)	5,950,000
Research & Development (Note 8)	3,524,085
Fixed Assets (Note 9)	14,928
Patent (Note 10)	<u>-</u>
Total Other Assets	<u>10,939,012</u>
TOTAL ASSETS	<u><u>\$ 28,549,808</u></u>
LIABILITIES & EQUITY	
Liabilities	
Total Liabilities	\$ -
Stockholders' Equity (Note 11)	
Class a Common Stock, issued 935,988,318	935,988
Additional Paid in Capital	13,483,216
Retained Earnings	<u>14,130,604</u>
Total Stockholders' Equity	<u>28,549,808</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$ 28,549,808</u></u>

The accompanying notes are an integral part to the financial statements

Medical Marijuana, Inc.
Statement of Income
January 1, 2013 through March 31, 2013

	<u>Quarter Ending</u> <u>March 31, 2013</u>
Income	
Phytosphere Systems Income	\$ 1,655,020
Joint Venture Income	530,140
Total Income	<u>2,185,160</u>
Cost of Goods Sold	
Direct Costs	825,000
Total COGS	<u>825,000</u>
Gross Profit	\$ 1,360,160
Expense	
Professional Fees	558,653
Payroll Expenses	115,862
Computer and Internet Expenses	36,360
Office Expense	23,974
Rent Expense	20,013
Testing	13,646
Travel Expense	9,439
Advertising and Promotion	5,000
Utilities	3,000
Insurance Expense	1,416
Telephone Expense	1,386
Bank Service Charges	862
Total Expense	<u>789,611</u>
Income before Extraordinary Items	<u>\$ 570,549</u>
Extraordinary Items: (Note 12)	
Phytosphere Licensing & Inventory Sale	6,000,000
Less Amounts due to HDDC	(1,200,000)
Net Income	<u>\$ 5,370,549</u>

The accompanying notes are an integral part to the financial statements

Medical Marijuana, Inc.
Statement of Cash Flows
January through March 2013

	<u>Jan - Mar 13</u>
OPERATING ACTIVITIES	
Net Income	\$ 5,370,549
Adjustments to reconcile Net Income to net cash provided by operations:	
Investments	(11,716,328)
Receivable RDH	(1,051,472)
Inventory	8,320,009
Accounts Payable	(84,800)
Net cash provided by Operating Activities	<u>837,958</u>
INVESTING ACTIVITIES	
CanChew Biotech	(4,700,000)
Extract Dev, Marketing	(2,388,847)
Patent	375
Net cash provided by Investing Activities	<u>(7,088,472)</u>
FINANCING ACTIVITIES	
Common Stock	935,988
Additional Paid in Capital	5,371,512
Net cash provided by Financing Activities	<u>6,307,500</u>
 Net cash increase for period	 56,986
 Cash at beginning of period	 <u>1,422,143</u>
Cash at end of period	<u><u>\$ 1,479,129</u></u>

The accompanying notes are an integral part to the financial statements

Medical Marijuana, Inc.
Statement of Retained Earnings
As of March 31, 2013

Mar 31, 13

Common Stock	\$ 935,988
Additional Paid in Capital	\$ 13,483,215
Retained Earnings	\$ 14,130,604
Total Equity	<u>\$ 28,549,807</u>

The accompanying notes are an integral part to the financial statements

Medical Marijuana, Inc.
Supplemental Information
Income Statement by Subsidiary
January through March 2013

	Total Jan - Mar 13	Eliminating Entries *	MJNA	CanChew 50%	RDH * 60%	Phytosphere 80%
Income						
Phytosphere Systems Income	\$ 1,655,020		-	-	-	\$ 1,655,020
Joint Venture Income	530,140		-		305,140	225,000
Total Income	\$ 2,185,160		-	-	\$ 305,140	\$ 1,880,020
Cost of Goods Sold						
Direct Costs	825,000	(239,922)	-	-	239,922	825,000
Total COGS	825,000		-	-	239,922	825,000
Gross Profit	\$ 1,360,160		-	-	\$ 65,218	\$ 1,055,020
Expense						
Professional Fees	558,653	(133,398)	535,455	23,198	133,398	
Payroll Expenses	115,862	(48,624)	109,500	6,362	48,624	
Computer and Internet Expenses	36,360		36,360			
Office Expense	23,974	(21,448)	8,174	15,800	21,448	
Rent Expense	20,013	(911)	20,013		911	
Testing	13,646		13,646			
Travel Expense	9,439	(25,519)	9,439		25,519	
Advertising and Promotion	5,000	(15,457)	5,000		15,457	
Utilities	3,000	(617)	3,000		617	
Insurance Expense	1,416	(404)	1,416		404	
Telephone Expense	1,386	(3,512)	1,386		3,512	
Bank Service Charges	862	(7,554)	862		7,554	
Total Expense	789,611		744,251	45,360	257,444	-
Income Before Extraordinary Items	\$ 570,549		\$ (744,251)	\$ (45,360)	\$ (192,226)	\$ 1,055,020
Extraordinary Items						
Phytosphere Licensing & Inventory Sale	6,000,000		-			6,000,000
Less Amounts Due to HDDC	(1,200,000)					(1,200,000)
Net Income	\$ 5,370,549	\$ -	\$ (744,251)	\$ (45,360)	\$ (192,226)	\$ 5,855,020

This Supplementary Information is being Supplied to Illustrate Activity by Subsidiary

* The Company was unable to Audit the Expenses of RDH and has excluded these expenses from the Financial Statements.

MEDICAL MARIJUANA, INC.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations.

Medical Marijuana Inc. (“MJNA”) is an Oregon Corporation vested in the medical marijuana and industrial hemp markets. The Company is comprised of a diversified portfolio of products, services, technology and businesses solely focused on the cannabis and hemp industries.

These products range from patented and proprietary based cannabinoid products, to whole plant or isolated high value extracts specifically manufactured and formulated for the pharmaceutical, nutraceutical and cosmeceutical industries.

The Company’s services are extensive and varied, ranging from medical clinic management to the capitalization and development of existing industry business and product leaders. Services include development of cannabinoid based health and wellness products, and the development of medical grade compounds. MJNA provides over 80 proprietary and patented cannabinoid “delivery methods” that are more “socially and medically acceptable” than smoking. Finally, MJNA services include the licensing of its proprietary testing, genetics, labeling, and packaging, tracking, production and standardization methods for the medicinal herb industry.

Medical Marijuana Inc.’s patented and proprietary technologies include the only pharmaceutical grade vertical Bio-Technology Company specializing in the standardization, production and extraction of medicinal cannabinoids. MJNA’s PhytoSPHERE Systems and their advanced plant growth technologies save significantly on resources necessary for production of medical grade cannabis. In addition to providing a medical grade end product, extracts and compounds, PhytoSPHERE Systems also includes pre-and-post production tracking, germplasm references, packaging and processing to ensure consistency and genetic purity.

Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash Equivalents

Holdings of highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

MEDICAL MARIJUANA, INC.

Marketable Securities

Management classifies all investments as available-for-sale. Available-for-sale securities are carried at fair market value.

Inventories

Inventories are valued at net realizable value. Inventory consists of Cannabidiol, extracted from industrial hemp plants.

Property, Plant and Equipment

Property plant and equipment are recorded at cost less depreciation and amortization. Depreciation and amortization are primarily accounted for on the straight-line method based on estimated useful lives. The amortization of leasehold improvements is based on the shorter of the lease term or the life of the improvement. Betterments and large renewals which extend the life of the asset are capitalized whereas maintenance and repairs and small renewals are expensed as incurred.

Revenue Recognition

Revenue is recognized in the financial statements (and the customer billed) either when materials are shipped from stock or when the vender bills the Company for the order. Net sales are arrived at by deducting discounts, freight, and sales taxes from gross sales.

Supplementary Information

A breakdown of consolidating income by subsidiary has been included.

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.

Subsidiaries and Corporate Investments

<u>Subsidiary Name</u>	<u>Ownership Percentage</u>
Wellness Managed Services	100%
Canipa Holdings	100%
HempMeds RX	80%

MEDICAL MARIJUANA, INC.

PhytoSPHERE Systems	80%
Red Dice Holdings	60%
CanChew Bio-technologies	50%
KannaLife Sciences	16.5%

(See exhibit 1)

Wellness Managed Services

Wellness Managed Services engages in the management, capitalization and development of Health and Wellness facilities, Medical Clinics and Cooperatives throughout North America.

Wellness Managed Services provides a comprehensive array of clinically supporting Health and Wellness products plus services which will attract patients while providing for a fully operational, profitable enterprise. We seek to provide facilities and patients alike with the latest in quality products and support services that will serve the Health and Wellness community. Wellness Managed Services has actively been acquiring and developing its services. This subsidiary is in negotiations for several additional facilities in Canada, California, Colorado and Arizona at present and is looking to further expand throughout the US as well as develop an International Division.

Canipa Holdings

Canipa Holdings has been formed to assist Medical Marijuana Inc.'s expansion efforts in Europe, Middle East and Asia. Canipa Holdings focuses its efforts on obtaining product and marketing approvals as well as distribution partners for the entire line of Medical Marijuana Inc.'s portfolio of products.

HempMeds RX

HempMeds Rx, is a subsidiary of Medical Marijuana Inc. that focuses on the online marketing and sales of our portfolio of products. Working with various industry companies HempMeds Rx develops the content and presentations for the various ecommerce sites that promote the products.

PhytoSPHERE Systems

PhytoSPHERE Systems is a global phytocannabinoid biotechnology company that is one of the world's largest producers of natural hemp-based cannabinoids, terpenoids and flavonoids. The Company handles all aspects of the production from seed to sale.

PhytoSPHERE builds and develops growing, packaging and extraction technologies which are deployed in self-contained highly efficient indoor facilities as well as in traditional hemp-based agricultural facilities. Headquartered in San Diego, California, the company utilizes advanced cultivation methods and specialty processing technology

MEDICAL MARIJUANA, INC.

which produces pharmaceutical grade raw ingredients for the nutraceutical, cosmeceutical, food and pharmaceutical industries.

Red Dice Holdings

Red Dice Holdings, LLC is the owner of the "Dixie Brand" of products including "Dixie Botanicals". The company has over 70 unique consumer products and is one of the most recognizable cannabis and hemp brands in the world. The brands have been featured on 60 minutes, Forbes, Fortune Magazine and Fast Company to name a few.

The company sells direct to consumer products, looks to integrate additional brands into its distribution and manufacturing platform, as well as licenses its "Brand(s) and IP" to others looking to manufacture and distribute the products within their markets. Besides marketing, sales and licensing, the company has a full time team of researchers and product development specialists who are tasked with improving the products and developing additional delivery methods.

CanChew Bio-technologies

CanChew Bio-technologies focuses on the treatment of pain and other medical disorders with the application of chewing gum based cannabis/cannabinoids medical products through the development of MedChewRx. The company targets research and execution of their clinical development plan and subsequently out licensing of their technology. The development focuses on the R&D of the formulation, production and the development of chewing gum based products in their respective fields e.g.: for the treatment of numerous diseases like pain, nausea and vomiting, anorexia, spasticity and various other symptoms.

Note 2: Related-Party Transactions

Hemp Deposit and Distribution Corporation

The Company has an agreement with Hemp Deposit and Distribution Corporation (HDDC) DBA: CannaBANK Inc. HDDC is the majority shareholder and acts as the merger, acquisition and due diligence arm for the Company. HDDC also provides working capital for the Company as needed or can and has provided capital or its equity in MJNA to invest in and purchase companies, products or services for MJNA. HDDC currently holds \$1,881,828 in free trading shares cash equivalent for the use by MJNA.

Sale and Licensing of Certain Assets of PhytoSPHERE Systems, LLC

MJNA owns 80% of the interest in PhytoSPHERE Systems, LLC. In December 2012, PhytoSPHERE entered into an Agreement for the Sale of Assets with CannaVEST Corporation, a Texas corporation (CannaVEST), whereby the Company sold certain assets of PhytoSPHERE in exchange for an aggregate payment of \$35,000,000, payable

MEDICAL MARIJUANA, INC.

in five (5) installments of either cash or common stock of the CannaVEST, in the sole discretion of CannaVEST. Pursuant to the Agreement, PhytoSPHERE sold to CannaVEST certain tangible assets, including equipment and inventory, all web domains of PhytoSPHERE, existing bank accounts with a total balance of \$50,774.55, phone numbers, e-mail addresses and postal addresses, vendor lists, permits, licenses and other approvals, and all existing and pending contracts. Notably, pursuant to the Purchase Agreement

PhytoSPHERE sold all of its rights, and surrendered all of its liabilities, under contracts with hemp production and processing facilities in three foreign countries, which allowed CannaVEST to secure raw product for the development and production of products. PhytoSPHERE also entered into an exclusive license of its brand name "PhytoSPHERE" and "PhytoSPHERE Systems" for use in the development and commercialization of hemp-based products.

The Sales Agreement requires payment as follows: (a) \$4,500,000 on or before January 31, 2013; (b) \$6,000,000 on or before March 30, 2013; (c) \$8,000,000 on or before June 30, 2013; (d) \$10,000,000 on or before September 30, 2013; and \$6,500,000 on or before December 31, 2013. For any installments paid by the issuance of stock, the number of shares of stock issuable by the Company is determined by reference the closing price of the common stock on the day prior to issuance. The price is subject to a "collar", whereby in no event will the shares issuable pursuant to the Purchase Agreement be priced at more than \$6.00 per share, and in no event will the shares be priced at less than \$4.50 per share.

Michael Mona, Jr. is the Chief Executive Officer and on the Board of Directors of CannaVEST, Mr. Mona owns and/or controls approximately 37,337,000 shares of common stock of Medical Marijuana, Inc., which represents approximately 4% of the issued and outstanding shares of the capital stock of Medical Marijuana, Inc. as of February 11, 2013. Mr. Mona does not hold any management position with Medical Marijuana, Inc. or serve on its board of directors, nor has he held any such position previously. Mr. Mona (neither owns shares in, nor serves Hemp Deposit and Distribution Corporation in any capacity, nor has he done so previously).

Edward A. Wilson is a Director and President of Wilson & Company, a professional certified public accounting firm in Las Vegas, Nevada. Mr. Wilson is a member of the American Institute of Certified Public Accountants and the Nevada Society of CPAs, and is a President's Associate for the University of Nevada, Reno. Mr. Wilson began his accounting career with Price Waterhouse in San Francisco, California. Mr. Wilson's extensive accounting background makes him a valuable addition to the Board. Mr. Wilson (neither owns shares in, nor serves Hemp Deposit and Distribution Corporation in any capacity, nor has he done so previously).

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Theodore R. Sobieski recently retired from Morgan Stanley after more than 25 years with the firm. His title was Senior Vice President-Wealth Management, Financial Planning Specialist, Financial Advisor. Mr. Sobieski's extensive business background makes him a valuable addition to the Board. Mr. Sobieski (neither owns shares in, nor serves Hemp Deposit and Distribution Corporation in any capacity, nor has he done so previously).

Bart P. Mackay is an attorney licensed since 1984 with emphasis in corporate finance, technology and entrepreneurial legal matters. Mr. Mackay has extensive experience in establishing and developing new enterprises both from management and operational aspects, including the formation and growth of several of his own ventures. Mr. Mackay's extensive business background makes him a valuable addition to the Board. Mr. Mackay (neither owns shares in, nor serves Hemp Deposit and Distribution Corporation in any capacity, nor has he done so previously).

On March 25, 2013, CannaVEST issued to PhytoSPHERE 1,000,000 shares of the CannaVEST's common stock in satisfaction of its second payment obligation due under the Purchase Agreement. The shares represented 12.6% of the issued and outstanding share of the CannaVEST's common stock as of February 11, 2013, and were calculated based on a price per share of the CannaVEST's common stock of \$6.00 pursuant to the terms of the Purchase Agreement. The payment of stock valued at \$6,000,000, 80% of which, \$4,800,000 went to MJNA but is still being held by PhytoSPHERE. The remaining \$1,200,000 in stock is being held by MJNA for future distribution to Hemp Deposit and Distribution Corporation (HDDC).

Note 3: Equity Securities

Investments in equity securities on March 31, 2012:

The Company currently has \$1,881,828 in securities. Please see Note 2: Related-Party Transactions.

Note 4: Accounts Receivable

Red Dice Holdings (RDH) is a holding company, that owns the formulas, equipment, and extraction processes for cannabis based products. Medical Marijuana, Inc. entered into Joint Venture agreement with RDH during 2012. The RDH's revenue model is to continue to develop these products and license them to distributors throughout the world. The Company owns 60% of RDH. The Company has furnished RDH working capital for operations and inventory. As of March 31, 2013, RDH owes the Company \$1,897,987. Cash directly owed by RDH to the Company totals \$1,501,549 and \$396,438 is owed to the Company for inventory.

As part of the obligation under the RDH Joint Venture, the Company utilized \$1,450,000 of its securities portfolio as part of its financing strategy to satisfy equity requirements for



Canipa Holdings
Owned
100% Medical Marijuana Inc.

Wellness Managed Services
Owned
100% Medical Marijuana Inc.

Red Dice Holdings
Dixie Brand
Owned
60% Medical Marijuana Inc.

CanChew Biotechnology
Owned
50% Medical Marijuana Inc.
CanChew has two subsidiaries

Hemp Meds RX
Online Sales Platform
Owned
80% Medical Marijuana Inc.

Pet Hemporium
Owned
80% Medical Marijuana Inc.

KannaLife Sciences
Owned
16% Medical Marijuana Inc.

PhytoSPHERE Systems
Owned
80% Medical Marijuana Inc.
Licensed Brand Exclusively to
CannaVest and sold its production
rights.