

JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2009 (Unaudited)	December 31, 2008 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 183,229	\$ 2,223
Accounts receivable, net of allowance for doubtful accounts of \$0	218,331	187,193
Inventories	140,566	157,099
Prepaid expenses and other	37,392	6,604
Total Current Assets	579,518	353,119
PROPERTY AND EQUIPMENT, net	613,865	708,190
OTHER ASSETS:		
Intangible assets, net	49,550	67,954
Deposits	27,636	27,159
Total Other Assets	77,186	95,113
Total Assets	\$ 1,270,569	\$ 1,156,422
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Notes payable	\$ 848,707	\$ 772,659
Factoring line of credit	98,546	106,168
Accounts payable and accrued expenses	507,643	304,081
Accrued salaries	131,879	201,825
Dividends payable	252,956	121,202
Due to related parties	49,110	84,927
Obligations under capital leases, current portion	43,465	65,416
Total Current Liabilities	1,932,306	1,656,278
LONG-TERM LIABILITIES:		
Note payable, net of current portion	226,548	-
Obligations under capital leases, net of current portion	142,854	160,034
Total Long-Term Liabilities	369,402	160,034
Total Liabilities	2,301,708	1,816,312
SHAREHOLDERS' DEFICIENCY:		
Preferred stock, No par value, 100,000,000 shares authorized; Series A convertible preferred stock, No par value, 10,000,000 shares authorized; 1,653,700 shares issued and outstanding	1,552,580	1,552,580
Common stock, No par value, 500,000,000 shares authorized; 116,337,619 and 71,313,138 shares issued and outstanding at December 31, 2009 and 2008, respectively	12,108,882	8,688,263
Additional paid-in capital	1,655,107	708,490
Accumulated deficit	(16,347,708)	(11,831,030)
Total Javalution Coffee Company, Inc. Deficiency	(1,031,139)	(881,697)
Noncontrolling interest	-	221,807
Total Shareholders' Deficiency	(1,031,139)	(659,890)
Total Liabilities and Shareholders' Deficiency	\$ 1,270,569	\$ 1,156,422

See notes to unaudited consolidated financial statements.

JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
	(Unaudited)	(Unaudited)
Net revenues	\$ 3,543,229	\$ 429,096
Cost of sales	2,667,649	365,671
Gross profit	875,580	63,425
Operating expenses:		
Compensation expense	730,087	636,705
Stock based compensation expense	1,532,510	-
Advertising and marketing	364,322	155,061
Professional fees	113,956	189,706
Other selling, general and administrative	1,099,764	478,403
Total operating expenses	3,840,639	1,459,875
Loss from operations	(2,965,059)	(1,396,450)
Other income (expenses):		
Other income	1,168	-
Other expense	(2,775)	-
Gain on bargain purchase	-	65,787
Interest income	31	1,753
Loss on step acquisition	-	(37,245)
Interest expense	(1,494,060)	(108,230)
Total other expenses	(1,495,636)	(77,935)
Loss from continuing operations before equity investment	(4,460,695)	(1,474,385)
Equity in investee's loss	-	(173,564)
Net loss	(4,460,695)	(1,647,949)
Less: net loss attributable to non-controlling interest	75,770	41,740
Net loss attributable to Javalution Coffee Company, Inc.	\$ (4,384,925)	\$ (1,606,209)
Net loss per common share - basic and diluted	\$ (0.05)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted	80,824,013	71,313,138

See notes to unaudited consolidated financial statements.

JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the Year Ended December 31, 2009 and 2008
(Unaudited)

	Preferred Stock, No Par Value		Common Stock, No Par Value		Additional Paid-in Capital	Noncontrolling Interest	Accumulated Deficit	Total Shareholders' Deficiency
	Number of Shares	Amount	Number of Shares	Amount				
Balance, December 31, 2007	935,000	\$ 885,000	71,313,138	\$ 8,688,263	\$ 416,987	\$ -	\$ (9,816,139)	\$ 174,111
Preferred stock issued for cash, net	718,700	667,580	-	-	-	-	-	667,580
Acquisition of noncontrolling interest	-	-	-	-	-	263,547	-	263,547
Stock warrants issued in connection with a note payable	-	-	-	-	4,023	-	-	4,023
Stock warrants issued in connection with preferred stock	-	-	-	-	287,480	-	-	287,480
Deemed preferred stock dividend	-	-	-	-	-	-	(408,682)	(408,682)
Net loss for the period	-	-	-	-	-	(41,740)	(1,606,209)	(1,647,949)
Balance, December 31, 2008 (Unaudited)	1,653,700	1,552,580	71,313,138	8,688,263	708,490	221,807	(11,831,030)	(659,890)
Acquisition of noncontrolling interest	-	-	-	-	(348,963)	(146,037)	-	(495,000)
Fair value of warrants issued in connection with the convertible debentures	-	-	-	-	1,215,000	-	(131,753)	1,083,247
Fair value of stock warrants repriced in connection with notes payable	-	-	-	-	35,580	-	-	35,580
Issuance of common stock pursuant to conversion of convertible debentures and accrued interest	-	-	28,407,013	1,278,315	-	-	-	1,278,315
Member contribution	-	-	-	-	45,000	-	-	45,000
Issuance of common stock pursuant to exercise of stock warrants	-	-	5,938,436	593,844	-	-	-	593,844
Common stock issued for services	-	-	10,679,032	1,548,460	-	-	-	1,548,460
Net loss for the period	-	-	-	-	-	(75,770)	(4,384,925)	(4,460,695)
Balance, December 31, 2009 (Unaudited)	1,653,700	\$ 1,552,580	116,337,619	\$ 12,108,882	\$ 1,655,107	\$ -	\$ (16,347,708)	\$ (1,031,139)

See notes to unaudited consolidated financial statements.

JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	\$ (4,384,925)	\$ (1,606,209)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	206,212	64,002
Bad debt expense	3,424	-
Stock-based compensation	1,548,460	-
Equity in investee's loss	-	173,564
Noncontrolling interest	(75,770)	(41,740)
Fair value of stock warrants repriced	35,580	-
Amortization of debt issuance cost	6,250	8,725
Amortization of debt discount	1,216,341	2,682
Changes in assets and liabilities:		
Accounts receivable	(34,562)	5,745
Inventories	16,533	(14,145)
Prepaid expenses and other	(30,788)	(3,428)
Deposits	(477)	-
Accounts payable and accrued expenses	266,878	116,188
Accrued salaries	(69,946)	171,825
	3,088,135	483,418
Net cash used in operating activities	(1,296,790)	(1,122,791)
Cash flows from investing activities:		
Acquisition of business	(75,000)	(184,615)
Rebate from purchase of property and equipment	-	30,000
Purchase of property and equipment	(93,483)	(800)
	(168,483)	(155,415)
Cash flows from financing activities:		
Principal payment on notes payable	(48,745)	-
Repayments on related party loans	(50,000)	-
Net proceeds from related party loans	14,183	28,626
Proceeds from convertible debentures	1,190,000	425,000
Proceeds from sale of preferred stock	-	718,700
Proceeds from exercise of stock warrants	593,844	-
Principal payments on capitalized leases	(39,131)	(6,270)
Payment of debt issuance cost	(6,250)	7,841
Net factoring advances (payments)	(7,622)	-
Placement fees and expenses paid for sale of preferred stock	-	(51,120)
	1,646,279	1,122,777
Net cash flows provided by financing activities	1,646,279	1,122,777
Net increase (decrease) in cash	181,006	(155,429)
Cash - beginning of year	2,223	157,652
Cash - end of year	\$ 183,229	\$ 2,223
Supplemental disclosure of cash flow information:		
Cash Interest		
Income taxes	\$ 90,986	\$ 64,880
	\$ -	\$ -
Supplemental schedule of non-cash financing and investing activities:		
Purchase of equipment under capital lease	\$ -	\$ 100,000
Issuance of a note payable in connection with the acquisition of 25% interest in CLR Roasters LLC	\$ 375,000	\$ -
Fair value of warrants and embedded conversion features issued in connection with the issuance of convertible debentures and corresponding debt discount	\$ 1,215,000	\$ -
Conversion of convertible debentures and accrued interest into shares of common stock	\$ 1,278,315	\$ -

See notes to unaudited consolidated financial statements.