

JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30, 2009 (Unaudited)	December 31, 2008 (Unaudited)		
ASSETS				
CURRENT ASSETS:				
Cash	\$ 87,051	\$ 2,223		
Accounts receivable, net of allowance for doubtful accounts of \$4,684	326,118	187,193		
Inventories	212,265	157,099		
Prepaid expenses and other	3,428	6,604		
Debt issue cost, net	5,208	-		
Total Current Assets	634,070	353,119		
PROPERTY AND EQUIPMENT, net	695,941	708,190		
OTHER ASSETS:				
Intangible assets, net	58,754	67,954		
Deposits	27,159	27,159		
Total Other Assets	85,913	95,113		
Total Assets	<u>\$ 1,415,924</u>	<u>\$ 1,156,422</u>		
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
CURRENT LIABILITIES:			(1,493,648)	(1,303,159)
Notes payable	\$ 855,540	\$ 772,659		
Convertible debentures, net of debt discount	273,579	-		
Accounts payable and accrued expenses	432,200	304,081		
Factoring payable	92,168	106,168		
Accrued salaries	126,981	201,825		
Dividends payable	186,807	121,202		
Due to related parties	119,203	84,927		
Obligations under capital leases, current portion	41,240	65,416		
Total Current Liabilities	2,127,718	1,656,278		
LONG-TERM LIABILITIES:				
Note payable, net of current portion	268,460	-		
Obligations under capital leases, net of current portion	165,144	160,034		
Total Long-Term Liabilities	433,604	160,034		
Total Liabilities	2,561,322	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; 71,313,138 shares issued and outstanding	8,688,263	8,688,263		
Additional paid-in capital	1,400,241	708,490		
Accumulated deficit	(12,839,084)	(11,831,030)		
Total Javalution Coffee Company, Inc. Deficiency	(1,198,000)	(881,697)		
Noncontrolling interest	52,602	221,807		
Total Shareholders' Deficiency	(1,145,398)	(659,890)		
Total Liabilities and Shareholders' Deficiency	<u>\$ 1,415,924</u>	<u>\$ 1,156,422</u>		

See notes to unaudited consolidated financial statements.

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

	For the Six Months Ended June 30, 2009 (Unaudited)	For the Year Ended December 31, 2008 (Unaudited)
Net revenues	\$ 1,567,788	\$ 429,096
Cost of sales	<u>1,023,730</u>	<u>327,567</u>
Gross profit (loss)	<u>544,058</u>	<u>101,529</u>
Operating expenses:		
Compensation expense	364,426	636,705
Advertising and marketing	210,795	155,061
Professional fees	87,053	189,706
Other selling, general and administrative	<u>510,598</u>	<u>516,507</u>
Total operating expenses	<u>1,172,872</u>	<u>1,497,979</u>
Loss from operations	<u>(628,814)</u>	<u>(1,396,450)</u>
Other income (expenses):		
Other income	5,695	-
Gain on bargain purchase	-	65,787
Interest income	-	1,753
Loss on step acquisition	-	(37,245)
Interest expense	<u>(384,285)</u>	<u>(108,230)</u>
Total other income (expenses)	<u>(378,590)</u>	<u>(77,935)</u>
Loss from continuing operations before equity investment	(1,007,404)	(1,474,385)
Equity in investee's loss	<u>-</u>	<u>(173,564)</u>
Net loss	(1,007,404)	(1,647,949)
Less: net loss attributable to non-controlling interest	<u>64,954</u>	<u>41,740</u>
Net loss attributable to Javalution Coffee Company, Inc.	<u>\$ (942,450)</u>	<u>\$ (1,606,209)</u>
Net loss per common share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding - basic and diluted	<u>71,313,138</u>	<u>71,313,138</u>

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, 2008 and For the Six Months Ended June 30, 2009
(Unaudited)

	Preferred Stock, No Par Value		Common Stock, No Par Value		Additional	Noncontrolling	Accumulated	Total
	Number of	Amount	Number of	Amount	Paid-in	Interest	Deficit	Shareholders'
	Shares		Shares		Capital			Deficit
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	-	-	-	-	(345,749)	(104,251)	-	(450,000)
Fair value of warrants issued in connection with the convertible debentures	-	-	-	-	1,037,500	-	(65,604)	971,896
Net loss for the period	-	-	-	-	-	(64,954)	(942,450)	(1,007,404)
Balance, June 30, 2009 (Unaudited)	1,653,700	\$ 1,552,580	71,313,138	\$ 8,688,263	\$ 1,400,241	\$ 52,602	\$ (12,839,084)	\$ (1,145,398)

See notes to unaudited consolidated financial statements.

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

	For the Six Months Ended June 30, 2009 (Unaudited)	For the Year Ended December 31, 2008 (Unaudited)
Cash flows from operating activities:		
Net loss	\$ (942,450)	\$ (1,606,209)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	101,716	64,002
Bad debt expense	2,884	
Equity in investee's loss	-	173,564
Noncontrolling interest	(64,954)	(41,740)
Amortization of debt issuance cost	1,042	8,725
Amortization of debt discount	274,920	2,682
Changes in assets and liabilities:		
Accounts receivable	(141,809)	5,745
Inventories	(55,166)	(14,145)
Prepaid expenses and other	3,176	(3,428)
Accounts payable and accrued expenses	128,120	116,188
Accrued salaries	(74,844)	171,825
Factoring payable	(14,000)	7,841
Total adjustments	161,085	491,259
Net cash used in operating activities	(781,365)	(1,114,950)
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	(80,267)	(800)
Net cash flows used in investing activities	(155,267)	(155,415)
Cash flows from financing activities:		
Proceeds from related party loans	34,276	28,626
Proceeds from notes payable	1,012,500	425,000
Proceeds from sale of preferred stock	-	718,700
Principal payments on capitalized leases	(19,066)	(6,270)
Payment of debt issuance cost	(6,250)	-
Placement fees and expenses paid for sale of preferred stock	-	(51,120)
Net cash flows provided by financing activities	1,021,460	1,114,936
Net increase (decrease) in cash	84,828	(155,429)
Cash - beginning of year	2,223	157,652
Cash - end of period	\$ 87,051	\$ 2,223
Supplemental disclosure of cash flow information:		
Cash paid for :		
Interest	\$ 70,284	\$ 64,880
Income taxes	\$ -	\$ -
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	\$ -

See notes to unaudited consolidated financial statements.