

JVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY  
BALANCE SHEET

	December 31, 2008 (Unaudited)	December 31, 2007 (Audited)	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 5,407	\$ 157,652	
Accounts receivable, net of allowance for doubtful accounts of \$4,684	187,193	10,890	
Inventories	157,099	65,375	
Prepaid expenses and other	3,428	-	
Debt issue cost, net	-	8,725	
	<u>353,127</u>	<u>242,642</u>	
<b>PROPERTY AND EQUIPMENT, net</b>	738,190	34,921	
<b>OTHER ASSETS:</b>			
Intangible assets, net	72,554		
Deposits	27,159		
Investment in CLR Roasters LLC	-	457,000	
	<u>99,713</u>	<u>457,000</u>	
<b>Total assets</b>	<u>\$ 1,191,030</u>	<u>\$ 734,563</u>	
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>CURRENT LIABILITIES:</b>			(1,190,675)
Note payable	\$ 772,659	\$ 349,000	
Accounts payable and accrued expenses	312,807	59,151	
Factoring payable	106,168	-	
Accrued salaries	201,825	30,000	
Subscription payable	-	66,000	
Due to related parties	84,927	56,301	
Obligations under capital leases, current portion	65,416	-	
	<u>1,543,802</u>	<u>560,452</u>	
<b>Long-term liabilities:</b>			
Obligations under capital leases, net of current portion	160,034	-	
Total long-term liabilities	160,034	-	
<b>Total liabilities</b>	<u>1,703,836</u>	<u>560,452</u>	
<b>MINORITY INTEREST</b>	223,647	-	
<b>SHAREHOLDERS' DEFICIENCY:</b>			
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 and 935,000 shares issued and outstanding December 31, 2008 and December 31, 2007, respectively	1,552,580	885,000	
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	397,051	416,987	
Accumulated deficit	(11,374,347)	(9,816,139)	
	<u>(736,453)</u>	<u>174,111</u>	
<b>Total shareholders' deficiency</b>	<u>(736,453)</u>	<u>174,111</u>	
<b>Total liabilities and shareholders' deficiency</b>	<u>\$ 1,191,030</u>	<u>\$ 734,563</u>	

See notes to consolidated financial statements.  
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JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY  
STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2008 (Unaudited)	For the Year Ended December 31, 2007 (Audited)
Net revenues	\$ 429,096	\$ 146,016
Cost of sales	<u>327,567</u>	<u>99,014</u>
Gross profit (loss)	<u>101,529</u>	<u>47,002</u>
Operating expenses:		
Compensation expense	636,705	715,864
Advertising and marketing	155,061	179,814
Professional Fees	189,706	117,574
Other selling, general and administrative	<u>517,269</u>	<u>447,817</u>
Total operating expenses	<u>1,498,741</u>	<u>1,461,069</u>
Loss from operations	<u>(1,397,212)</u>	<u>(1,414,067)</u>
Other income (expenses):		
Other income	30,000	104,700
Interest income	1,753	2,689
Interest expense	<u>(116,956)</u>	<u>(60,323)</u>
Total other income (expenses)	<u>(85,203)</u>	<u>47,066</u>
Loss from continuing operations before equity investment	(1,482,415)	(1,367,001)
Equity in investee's loss	<u>(117,842)</u>	<u>(68,000)</u>
Loss before minority interest	(1,600,257)	(1,435,001)
Minority interest in loss of subsidiary	<u>42,049</u>	<u>-</u>
Net loss	<u>\$ (1,558,208)</u>	<u>\$ (1,435,001)</u>
Net loss per common share - basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding - basic and diluted	<u>71,313,138</u>	<u>69,652,819</u>

See notes to consolidated financial statements.

JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY  
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY  
For the Year Ended December 31, 2007 and For the Year Ended December 31, 2008

	Preferred Stock, No Par Value		Common Stock, No Par Value		Additional Paid-in Capital	Accumulated Deficit	Shareholders' Deficit
	Number of Shares	Amount	Number of Shares	Amount			
Balance, December 31, 2006 (audited)	-	\$ -	65,284,938	\$ 7,383,263	\$ 416,987	\$ (8,381,138)	\$ (580,888)
Preferred stock issued for cash, net	625,000	575,000	-	-	-	-	575,000
Preferred stock issued for related party loans	310,000	310,000	-	-	-	-	310,000
Common stock issued for cash, net	-	-	5,473,200	1,166,250	-	-	1,166,250
Common stock issued for services	-	-	555,000	138,750	-	-	138,750
Net loss for the period	-	-	-	-	-	(1,435,001)	(1,435,001)
Balance, December 31, 2007 (audited)	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
Stock warrants issued in connection with a note payable	-	-	-	-	4,023	-	4,023
Member distributions	-	-	-	-	(23,959)	-	(23,959)
Net loss for the period	-	-	-	-	-	(1,558,208)	(1,558,208)
Balance, December 31, 2008 (unaudited)	<u>1,653,700</u>	<u>\$ 1,552,580</u>	<u>71,313,138</u>	<u>\$ 8,688,263</u>	<u>\$ 397,051</u>	<u>\$ (11,374,347)</u>	<u>\$ (736,453)</u>

See notes to consolidated financial statements.

J AVALUTION COFFEE COMPANY, INC.  
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2008 (Unaudited)	For the Year Ended December 31, 2007 (Audited)
Cash flows from operating activities:		
Net loss	\$ (1,558,208)	\$ (1,435,001)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	64,775	18,440
Stock-based compensation	-	138,750
Equity in investee's loss	117,842	68,000
Minority interest	(42,049)	-
Amortization of debt issuance cost	8,725	17,450
Amortization of debt discount	2,682	7,997
Changes in assets and liabilities:		
Accounts receivable	5,745	8,522
Inventories	(14,145)	377
Prepaid expenses and other	(3,428)	5,000
Accounts payable and accrued expenses	124,914	(333,040)
Accrued salaries	171,825	(95,909)
Factoring payable	7,841	-
Total adjustments	444,727	(164,413)
Net cash used in operating activities	(1,113,481)	(1,599,414)
Cash flows from investing activities:		
Investment in CLR Roasters LLC	(152,900)	(459,000)
Purchase of property and equipment	(800)	-
Net cash flows used in investing activities	(153,700)	(459,000)
Cash flows from financing activities:		
Repayments on related party loans	-	(20,000)
Proceeds from related party loans	28,626	130,000
Proceeds from note payable	425,000	349,000
Proceeds from sale of common stock	-	1,368,300
Proceeds from sale of preferred stock	718,700	615,000
Principal payments on capitalized leases	(6,270)	-
Payment of debt issuance cost	-	(26,175)
Placement fees and expenses paid for sale of preferred stock	(51,120)	(40,000)
Placement fees and expenses paid for sale of common stock	-	(202,050)
Net cash flows provided by financing activities	1,114,936	2,174,075
Net increase in cash	(152,245)	115,661
Cash - beginning of year	157,652	41,991
Cash - end of period	\$ 5,407	\$ 157,652
Supplemental disclosure of cash flow information:		
Cash paid for :		
Interest	\$ 64,880	\$ 19,776
Income taxes	\$ -	\$ -
Supplemental schedule of non-cash financing and investing activities:		
Conversion of related party loans into shares of preferred stock	\$ -	\$ 310,000
Purchase of equipment under capital lease	\$ 130,000	\$ -

See notes to consolidated financial statements.

JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY  
BALANCE SHEETS

	Javalution	CLR	Elim Entry	AJE	Total
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash	\$ 3,120	\$ 2,287			\$ 5,407
Accounts receivable, net of allowance for doubtful accounts of \$4,684	2,780	184,413			187,193
Inventories	74,989	82,110			157,099
Prepaid expenses and other	3,428				3,428
Due from CLR	58,018			(58,018)	-
Debt issue cost, net	-				-
Total current assets	142,335	268,810			353,127
<b>PROPERTY AND EQUIPMENT, net</b>	144,473	593,717			738,190
<b>OTHER ASSETS:</b>					
Intangible assets, net		72,554			72,554
Deposits		27,159			27,159
Investment in CLR Roasters LLC	422,504			(422,504)	-
Total Other Assets	422,504	99,713			99,713
<b>Total assets</b>	\$ 709,312	\$ 962,240			\$ 1,191,030
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>					
<b>CURRENT LIABILITIES:</b>					
Note payable, net	\$ 772,659				772,659
Accounts payable and accrued expenses	182,175	130,632			312,807
Factoring payable		106,168			106,168
Accrued expenses	-				-
Accrued salaries	201,825				201,825
Subscription payable	-				-
Due to Java		58,018		(58,018)	-
Due to related parties, net of debt discount of \$0 and \$7,997 at December 31, 2007 and December 31, 2006, respectively	73,550	11,377			84,927
Obligations under capital leases, current portion	40,001	25,415			65,416
Total current liabilities	1,270,210	331,610			1,543,802
Long-term liabilities:					
Obligations under capital leases, net of current portion	88,522	71,512			160,034
Total long-term liabilities	88,522	71,512			160,034
Total liabilities	1,358,732	403,122			1,703,836
<b>MINORITY INTEREST</b>		223,647			223,647
<b>SHAREHOLDERS' DEFICIENCY:</b>					
Preferred stock, No par value, 100,000,000 shares authorized;					
Common stock, No par value, 500,000,000 shares authorized;	1,552,580				1,552,580
Additional paid-in capital	8,688,263				8,688,263
Accumulated deficit	421,010	398,545		(422,504)	397,051
Total shareholders' deficiency	(11,311,273)	(63,074)			(11,374,347)
Total shareholders' deficiency	(649,420)	335,471			(736,453)
<b>Total liabilities and shareholders' deficiency</b>	\$ 709,312	\$ 962,240			\$ 1,191,030

See notes to consolidated financial statements.

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JAVALUTION COFFEE COMPANY, INC. AND SUBSIDIARY  
STATEMENTS OF OPERATIONS

	Javalution	CLR	Elim Entry	AJE	Total
Net revenues	\$ 37,793	\$ 391,303			\$ 429,096
Cost of sales	49,294	278,273			327,567
Gross profit (loss)	(11,501)	113,030			101,529
Operating expenses:					
Compensation expense	593,013	43,692			636,705
Advertising and marketing	136,538	18,523			155,061
Professional Fees	155,495	34,211			189,706
Other selling, general and administrative	407,065	113,633	-3429		517,269
Total operating expenses	1,292,111	210,059			1,498,741
Loss from operations	(1,303,612)	(97,029)			(1,397,212)
Other income (expenses):					
Other income	33,429	-	-3429		30,000
Interest income	1,753	-			1,753
Interest expense	(108,862)	(8,094)			(116,956)
Total other income (expenses)	(73,680)	(8,094)			(85,203)
Loss from continuing operations before equity investment	(1,377,292)	(105,123)			(1,482,415)
Equity in investee's loss	(117,842)	-			(117,842)
Loss before minority interest	(1,495,134)	(105,123)			\$ (1,600,257)
Minority interest in loss of subsidiary	-	42,049			42,049
Net Loss	\$ (1,495,134)	\$ (63,074)			\$ (1,558,208)
RE BEG	\$ (9,816,139.00)	\$ -			\$ (9,816,139.00)
RE END	-11,311,273	-63,074			-11,374,347

See notes to consolidated financial statements.