



BALANCE SHEET

June 2011

JAMES DENVERSON, INC.
(Unaudited)
(A Development Stage Company)

Balance Sheets

ASSETS

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
CURRENT ASSETS		
Cash held in trust	\$ -	\$ -
Note receivable - related party	932.520	932.520
Patents	1.831.219	1.831.219
	<u>2.763.739</u>	<u>2.763.739</u>
Total Current Assets	<u>2.763.739</u>	<u>2.763.739</u>
TOTAL ASSETS	<u><u>\$ 2.763.739</u></u>	<u><u>\$ 2.763.739</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ -
Notes payable	-	126.000
Interest payable	-	15.332
	<u>-</u>	<u>141.332</u>
Total Current Liabilities	<u>-</u>	<u>141.332</u>
STOCKHOLDERS' EQUITY		
Preferred stock:\$0.001 par value, 10,000,000 shares authorized; -0- shares issued and outstanding	-	-
Common stock:\$0.001 par value, 150,000,000 shares authorized; 145,080,333 and 83,080,333 shares issued and outstanding, respectively	145.080	83.080
Additional paid-in capital	6.515.856	6.436.524
Accumulated deficit	-3.897.197	-3.897.197
	<u>2.763.739</u>	<u>2.622.407</u>
Total Stockholders' Equity	<u>2.763.739</u>	<u>2.622.407</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 2.763.739</u></u>	<u><u>\$ 2.763.739</u></u>

The accompanying notes are an integral part of these financial statements

JAMES DENVERSON, INC.
(Unaudited)
(A Development Stage Company)

Statements of Operations

	For the Six Months Ended June 30, 2011	For the Years Ended December 31, 2010		2009	From inception on November 17, 2005 Through June 30, 2011
REVENUES					
Product sales	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-	-
Gross Margin	-	-	-	-	-
EXPENSES					
General and administrative	-	-	43.628	2.974.563	2.974.563
Consulting	-	-	-	-	650.000
Research and development	-	-	-	-	255.978
Total Expenses	-	-	43.628	3.880.541	3.880.541
Loss from Operations	-	-	(43.628)	(3.880.541)	(3.880.541)
OTHER EXPENSES					
Interest expense	-	(7.666)	(7.666)	(16.656)	(16.656)
Total Other Expenses	-	(7.666)	(7.666)	(16.656)	(16.656)
NET LOSS	\$ -	\$ (7.666)	\$ (51.294)	\$ (3.897.197)	\$ (3.897.197)
PER SHARE DATA:					
Basic and diluted loss per share	\$ -	\$ (0,00)	\$ (0,00)	\$ (0,00)	\$ (0,00)
Weighted average number of shares outstanding	114.080.333	83.080.333	83.080.333	83.080.333	83.080.333

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Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance at inception on November 17, 2005	-	\$ -	\$ -	\$ -	\$ -
Net loss for the period from inception on November 17, 2005 through December 31, 2005	-	-	-	-	-
Balance, December 31, 2005	-	-	-	-	-
Common shares issued for cash at \$0.001 per share	75.000.000	75.000	68	-	75.068
Net loss for the year ended December 31, 2006	-	-	-	-125.674	-125.674
Balance, December 31, 2006	75.000.000	75.000	68	-125.674	-50.606
Common shares issued for services rendered at \$0.001 per share	300.000	300	-	-	300
Common shares issued for debt at \$1.00 per share	2.162.000	2.162	2.159.838	-	2.162.000
Common shares issued for patent costs at \$1.00 per share	1.700.000	1.700	1.698.300	-	1.700.000
Common shares issued for services rendered at \$1.00 per share	150.000	150	149.850	-	150.000
Common shares issued for cash at \$1.00 per share	350.000	350	349.958	-	350.308
Net loss for the year ended December 31, 2007	-	-	-	-2.750.126	-2.750.126
Balance, December 31, 2007	79.662.000	79.662	4.358.014	-2.875.800	1.561.876
Common shares issued for cash and services at prices from \$1.00 to \$0.10 per share	3.418.333	3.418	1.199.032	-	1.202.450
Net loss for the year ended December 31, 2008	-	-	-	(962.437)	(962.437)
Balance, December 31, 2008	83.080.333	83.080	5.557.046	-3.838.237	1.801.889
Contributed capital	-	-	879.478	-	879.478
Net loss for the year ended December 31, 2009	-	-	-	(51.294)	(51.294)
Balance, December 31, 2009	83.080.333	83.080	6.436.524	-3.889.531	2.630.073
Net loss for the year ended December 31, 2010	-	-	-	(7.666)	(7.666)

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Balance, December 31, 2010	83.080.333	83.080	6.436.524	-3.897.197	2.622.407
Common shares issued for debt at \$0.002 per share	62.000.000	62.000	79.332	-	141.332
Net loss for the six months ended June 30, 2011	-	-	-	-	-
Balance, June 30, 2011	<u>145.080.333</u>	<u>\$ 145.080</u>	<u>\$ 6.515.856</u>	<u>\$ -3.897.197</u>	<u>\$ 2.763.739</u>

The accompanying notes are an integral part of these financial statements.

JAMES DENVERSON, INC.
(Unaudited)
(A Development Stage Company)

Statements of Cash Flows

	For the Six Months Ended June 30, 2011	For the Years Ended December 31, 2010	2009	From inception on November 17, 2005 Through June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	\$ -	\$ (7.666)	\$ (51.294)	\$ (3.897.197)
Adjustments to reconcile net loss to net cash used by operating activities:				
Common stock issued for services	-	-	-	150.300
Changes in operating assets and liabilities:				
Increase in account payable and accrued expenses	-	7.666	7.666	960.625
Net Cash Used in Operating Activities	-	-	(43.628)	(2.786.272)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid for patents	-	-	-	(124.213)
Net Cash Used in Investing Activities	-	-	-	(124.213)
CASH FLOWS FROM FINANCING ACTIVITIES				
Common stock issued for cash	-	-	-	75.068
Increase in notes payable	-	-	-	50.100
Increase in note receivable - related party	-	-	-	576.610
Increase in notes payable - related party	-	-	-	2.208.707
Net Cash Provided by Financing Activities	-	-	-	2.910.485
INCREASE (DECREASE) IN CASH	-	-	(43.628)	-
CASH AT BEGINNING OF PERIOD	-	-	43.628	-
CASH AT END OF PERIOD	\$ -	\$ -	\$ -	\$ -
Supplemental Cash Flow Disclosures:				
Cash paid for:				
Interest expense	\$ -	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -	\$ -
Non Cash Financing Activities:				
Common stock issued for debt	\$ 141.332	\$ -	\$ -	\$ 141.332
Contributed capital	\$ -	\$ -	\$ 879.478	\$ 879.478

The accompanying notes are an integral part of these financial statements.

JAMES DENVERSON, INC.
(Unaudited)
(A Development Stage Company)

Balance Sheets

ASSETS

	June 30, 2011	December 31, 2008	AJE's	31.12.2009 AJE's	31.12.2010 AJE's	30.06.2011
CURRENT ASSETS						
Cash held in trust	\$ 43.628	\$ 43.628	-43.628	0	0	0
Note receivable - related party	932.520	932.520		932.520	932.520	932.520
Patents	1.831.219	1.831.219		1.831.219	1.831.219	1.831.219
	<u>2.807.367</u>	<u>2.807.367</u>				
Total Current Assets						
TOTAL ASSETS	<u>\$ 2.807.367</u>	<u>\$ 2.807.367</u>				

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 955.378	\$ 955.378	-955.378	0	0	0	0
Notes payable	50.100	50.100	75.900	-126.000	0	-126.000	126.000
Interest payable	-	-	7.666	-7.666	7.666	-15.332	15.332
	<u>1.005.478</u>	<u>1.005.478</u>					
Total Current Liabilities							

STOCKHOLDERS' EQUITY (DEFICIT)

Preferred stock:\$0.001 par value, 10,000,000 shares authorized; -0- shares issued and outstanding	-	-					
Common stock:\$0.001 par value, 100,000,000 shares authorized; 83,080,333 shares issued and outstanding, respectively	83.080	83.080		-83.080	-83.080	-62.000	-145.080
Additional paid-in capital	5.557.046	5.557.046	879.478	-6.436.524	0	-6.436.524	-79.332
Accumulated deficit	-3.838.237	-3.838.237	51.294	3.889.531	-7.666	3.897.197	0
	<u>1.801.889</u>	<u>1.801.889</u>					
Total Stockholders' Equity (Deficit)							

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

<u>\$ 2.807.367</u>	<u>\$ 2.807.367</u>	15.332	0	0	0	0	0
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The accompanying notes are an integral part of these financial statements

JAMES DENVERSON, INC.

(A Development Stage Company)

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the State of Nevada as on November 17, 2005 with a principal business objective of developing, manufacturing and marketing a smokeless cigarette. Through June 30, 2011, the Company has limited revenues and accordingly has been classified as a development stage company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 year-end.

b. Revenue Recognition

The Company has no revenues through June 20, 2011. The Company will develop revenue recognition policies once planned principal operations commence and revenues are earned.

c. Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets when the realization of such assets is deemed to be unlikely. The Company has a net operating loss carryover of approximately \$791,950 as of June 30, 2011. The benefit of the net operating loss carryover as of June 30, 2011 has been offset by a valuation allowance of the same amount.

d. Use of Estimates

The preparation of the 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.

e. Accounts Receivable

The Company's accounts receivable are shown net of the allowance for doubtful accounts of \$-0- as of June 30, 2011 and December 31, 2010.

f. Research and Development

The Company expenses research and development costs in the period incurred. Research and development expenses for the periods ended June 30, 2011, December 31, 2010 and 2009 totaled \$-0- and \$-0-, respectively.

JAMES DENVERSON, INC.

(A Development Stage Company)

Notes to the Financial Statements

g. Basic Income (Loss) Per Share

The computation of basic income (loss) per share is based on the weighted average number of shares outstanding during the periods covered by the financial statements. Diluted income per shares units is equal to the basic income per unit as there are no potentially dilutive shares outstanding.

h. Cash and Cash Equivalents

For purposes of the statement of cash flows, the company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

i. Recently issued accounting pronouncements.

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on its results of operations, financial position or cash flow.

NOTE 3 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has had no and has generated significant losses from operations.

In order to continue as a going concern and achieve a profitable level of operations, the Company will need, among other things, additional capital resources and developing a consistent source of revenues. Management's plans include raising funds from the private placement of its common stock.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 - PATENTS

The Company holds various patent applications pertaining to smokeless cigarette technology. These technology and related patent applications were acquired through the issuance of common stock, payments of cash to technology inventors and developers, and payments of legal fees. As of June 30, 2011, the Company's patent applications are valued at an aggregate of \$1,831,219, being the historical cost. As the Company is actively attempting to implement its technology into marketable products, no impairment of the patent applications has been deemed necessary.

Schedule of Patent Costs

Cash paid to inventors and legal fees	\$ 131,219
1,700,000 shares at \$1.00 per share	<u>1,700,000</u>
Total Patent Costs	<u>\$ 1,824,213</u>

Patent costs have not been amortized because the Company is in the development stage and has not yet established an economic life for the patents.

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Notes to the Financial Statements

NOTE 5 – NOTES PAYABLE-RELATED PARTIES

As of December 31, 2008, the Company has entered into a loan agreement, for a principal amount of \$50,100. This note accrues interest at 8.0% per annum. The total was due in full on April 1, 2008, and is now past due. There has been no demand for payment made on this note. During 2009, the Company borrowed an additional \$75,900. On May 18, 2011, the \$126,000 of principle and accrued interest of \$15,332 were converted to 63,000,000 shares of the Company's common stock.

NOTE 6 - EQUITY TRANSACTIONS

In June 2006, the Company issued 75,000,000 shares of common stock for \$75,068 in cash.

In May 2007 the Company issued 300,000 shares of common stock to various individuals as compensation for services rendered. The shares were valued at \$0.001 per share, or \$300.

In September 2007, the Company issued 150,000 shares of common stock to an unrelated entity as payment for professional services valued at \$150,000.

In September 2007 the Company issued 2,162,000 shares of common stock to a related party as payment for certain debts totaling \$2,162,000.

In September 2007 the Company issued an aggregate of 1,700,000 shares of common stock to various individuals as partial payment for patent technology and services. The shares were valued at \$1.00 per share.

In December 2007 the Company issued an aggregate of 350,000 shares of common stock to various individuals for cash at \$1.00 per share.

NOTE 6 - EQUITY TRANSACTIONS (Continued)

During the year ended December 31, 2008 the Company issued an aggregate of 3,418,333 shares of common stock to various individuals for cash, services, and debt at amounts ranging from \$1.00 to \$0.10 per share.

On June 18, 2011, the Company issued 62,000,000 shares of its common stock for a note payable of \$126,000 and accrued interest of \$15,332.

NOTE 7 – SUBSEQUENT EVENTS

In accordance with ASC 855 the Company's management reviewed all material events through the date of this report and there are no material subsequent events to report.