

Triton Distribution Systems, Inc.
(a Development Stage Company)
Consolidated Balance Sheets

	June 30, 2010 (unaudited)	December 31, 2009 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ -
Other current assets	732,281	732,281
Prepaid consulting	669,975	669,975
TOTAL CURRENT ASSETS	<u>1,402,256</u>	<u>1,402,256</u>
 FURNITURE AND EQUIPMENT, net	 128,992	 172,992
INVESTMENTS	-	-
WEBSITE DEVELOPMENT COSTS, net	-	-
INTELLECTUAL PROPERTY, net	142,691	142,691
 TOTAL ASSETS	 <u><u>\$ 1,673,939</u></u>	 <u><u>\$ 1,717,939</u></u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Deferred Income	\$ 25	\$ 25
Accounts payable	2,203,937	2,203,937
Accrued expenses	631,182	516,555
Accrued payroll	3,014,447	2,539,393
Accrued lease liability	11,284	11,284
Loan Payable	6,883,500	7,483,500
TOTAL CURRENT LIABILITIES	<u>12,744,375</u>	<u>12,754,694</u>
 STOCKHOLDERS' EQUITY		
Preferred A stock ; no par value; 100 shares authorized; 1 shares issued and outstanding	5,000,000	5,000,000
Preferred B stock ; no par value; 6,000,000 shares authorized; 1,508,500 shares issued and outstanding	9,051,000	9,051,000
Preferred C stock ; no par value; 6,000,000 shares authorized; 0 shares issued and outstanding		
Preferred D stock ; no par value; 2,000,000 shares authorized; 0 shares issued and outstanding		
Preferred E stock ; no par value; 4,000,000 shares authorized; 580,000 shares issued and outstanding	580,000	580,000
Common stock; no par value; 1,000,000,000 shares authorized; 755,007,497 shares issued and outstanding	64,758,877	64,758,877
Additional paid-in capital	4,500,588	4,500,588
Deficit accumulated during the development stage	(94,943,455)	(94,909,774)
Accumulated balance of other comprehensive income	(17,447)	(17,447)
 TOTAL STOCKHOLDERS' EQUITY	 <u>(11,070,437)</u>	 <u>(11,036,756)</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><u>\$ 1,673,939</u></u>	 <u><u>\$ 1,717,939</u></u>

Triton Distribution Systems, Inc.
(a Development Stage Company)
Consolidated Statements of Operations

	3 Months Ended Ended June 30 2010 (unaudited)	3 Months Ended Ended June 30 2009 (unaudited)	6 Months Ended Ended June 30 2010 (unaudited)	6 Months Ended Ended June 30 2009 (unaudited)	(January 10, 2006) to June 30 2010 (unaudited)
NET SALES	\$ -	\$ 277	\$ -	\$ 2,134	\$ 2,754
COST OF SALES	-	-	-	1,916	3,725
GROSS PROFIT	-	277	-	218	(971)
OPERATING EXPENSES:					
Payroll and related benefits	237,527	298,750	475,054	751,880	72,823,966
Professional fees	15,250	30,000	63,500	217,541	10,866,111
Marketing and advertising	-	-	-	6,025	610,909
Other general and administrative expenses	17,000	106,814	95,127	245,921	4,717,694
TOTAL OPERATING EXPENSES	269,777	435,564	633,681	1,221,367	89,018,680
LOSS FROM OPERATIONS	(269,777)	(435,287)	(633,681)	(1,221,149)	(89,019,651)
OTHER INCOME (EXPENSE)					
Debt forgiveness	-	-	600,000	-	600,000
Interest Expense	-	-	-	-	67,818
Interest Expense	-	(18,450)	-	(268,565)	(4,513,979)
Finance expense	-	(3,318)	-	(959,899)	(2,077,643)
TOTAL OTHER INCOME (EXPENSE)	-	(21,768)	600,000	(1,228,464)	(5,923,804)
LOSS BEFORE PROVISION FOR INCOME TAXES	(269,777)	(457,055)	(33,681)	(2,449,613)	(94,943,455)
PROVISION FOR INCOME TAXES	-	-	-	-	-
NET LOSS	(269,777)	(457,055)	(33,681)	(2,449,613)	(94,943,455)
OTHER COMPREHENSIVE INCOME					
Foreign currency translation adjustment	-	-	-	-	-
COMPREHENSIVE LOSS	<u>\$ (269,777)</u>	<u>\$ (457,055)</u>	<u>\$ (33,681)</u>	<u>\$ (2,449,613)</u>	<u>\$ (94,943,455)</u>

Triton Distribution Systems, Inc. (a Development Stage Company)
Consolidated Statement of Stockholders' Equity
For the Period from Inception (January 10, 2006) to June 30, 2010

	Preferred Stock		Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage Restated	Accumulated other comprehensive income	Total Shareholders Equity (Deficit)
	Shares	Par Value	Shares	Par Value				
Balance at inception (January 10, 2006)			-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of common stock for cash and contribution of intellectual property in January 2006			35,821,198	338,625				338,625
Issuance of common stock in private placement for cash, net of \$822,902 in commissions and expenses in July 2006			7,148,710	4,924,598				4,924,598
Issuance of common stock to placement agent for fees			598,029	-				-
Cancellation of investor shares in July 2006			(6,218,958)	-				-
Issuance of common stock in connection with transaction with Petramerica Oil, Inc. in July 2006			2,087,910	-				-
Repurchase of shares from Petramerica Oil, Inc. stockholders in July 2006			(400,000)	(400,000)				(400,000)
Issuance of shares to investor relation firms for services in 2006			2,238,824	1,800,000				1,800,000
Issuance of common stock in private placement for cash, net of \$149,500 in commissions in September 2006			3,737,500	2,840,500				2,840,500
Fair value of employee stock compensation					139,979			139,979
Net loss						(6,552,079)		(6,552,079)
Balance at December 31, 2006	-	-	45,013,213	9,503,723	139,979	(6,552,079)	-	3,091,623
Issuance of shares to investor relations firm for services			1,100,000	2,271,156				2,271,156
Fair value of employee stock compensation			860,147	1,607,047				1,607,047
Cancellations of stock compensation			(260,147)	(554,113)				(554,113)
Fair value of employee stock options					897,663			897,663
Exercise of Employee Stock Options			99,478	79,582				79,582
Exercise of Warrants			186,875	149,501				149,501
Issuance of Warrant for Short Term Loan					2,884,381			2,884,381
Issuance of shares to consultants			1,000,000	630,000				630,000
Capital contribution					188,500			188,500
Cancellations and terminations					(119,405)			(119,405)
Net loss						(12,525,169)		(12,525,169)
Foreign currency translation gain (loss)							(12,712)	(12,712)
Balance at December 31, 2007	-	-	47,999,566	13,686,896	3,991,118	(19,077,248)	(12,712)	(1,411,946)
Fair value of employee stock options					195,248			195,248
Exercise of Employee Stock Options Q2					183,309			183,309
Issuance of Shares to Legal Counsel and Accounts Payable Vendors			1,805,543	295,690				295,690
Capital contribution				1,430,983	882,853			2,313,836
Cancellations and terminations					(983,787)			(983,787)
Net loss						(9,944,839)		(9,944,839)
Foreign currency translation gain (loss)							(4,735)	(4,735)
Balance at December 31 2008	-	-	49,805,109	15,413,569	4,268,741	(29,022,087)	(17,447)	(9,357,224)
Exercise of Employee Stock Options			398,904	15,996				15,996
Issuance of restricted stock to employee			10,000,000	401,008				401,008
Issuance of Shares to Legal Counsel and Accounts Payable Vendors			16,210,130	4,983,304				4,983,304
Capital contribution					172,129			172,129
Issuance of Preferred A share	1	5,000,000						5,000,000
Issuance of preferred B shares	1,500,000	9,000,000						9,000,000
Effect of reverse split 1 for 150			(75,906,646)					-
Issuance of restricted stock			649,500,000	43,945,000				43,945,000
Issuance of common shares			50,000,000	-				-
Capital contribution					59,718			59,718
Issuance of preferred B shares	8,500	51,000						51,000
Issuance of preferred E shares	580,000	580,000						580,000
Issuance of common shares			55,000,000	-				-
Net loss						(65,887,687)		(65,887,687)
Foreign currency translation gain (loss)								-
Balance at December 31 2009	2,088,501	14,631,000	755,007,497	64,758,877	4,500,588	(94,909,774)	(17,447)	(11,036,756)
Net loss						(33,681)		(33,681)
Balance at June 30, 2010	2,088,501	14,631,000	755,007,497	64,758,877	4,500,588	(94,943,455)	(17,447)	(11,070,437)

Triton Distribution Systems, Inc. (a Development Stage Company)
Consolidated Statement of Cash Flow

	For the Six Months Ended June 30 2010	For the Six Months Ended June 30 2009	Inception (January 10, 2006) to June 30 2010
	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (33,681)	\$ (2,449,613)	\$ (94,943,455)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of discount on note	-	116,000	119,999
Depreciation and amortization expense	44,000	58,416	448,935
Amortization of prepaid consulting	-	-	6,390,116
Finance Fee	-	877,619	826,757
Stock compensation for consultants	-	-	5,613,304
Fair value of employee stock options & comp expense	-	-	60,958,736
Changes in assets and liabilities			
Other current assets	-	921	(31,328)
Loss on disposal of assets.	-	-	(700,952)
Deferred income	-	-	25
Accounts payable	-	382,403	2,203,683
Accrued expenses	589,681	924,740	4,012,416
Lease Liability	-	(2,418)	11,284
Net cash used in operating activities	<u>600,000</u>	<u>(91,932)</u>	<u>(15,090,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of furniture and equipment	-	-	(250,000)
Disposal of furniture and equipment	-	-	(541,949)
Payment for web development costs	-	-	(19,700)
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>(811,649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of common stock	-	-	8,999,626
Proceeds from the issuance of preferred stock	-	-	51,000
Payment of offering costs	-	-	(972,402)
Repurchase of shares of common stock	-	-	(400,000)
Proceeds from issuance of notes payable	-	75,500	10,966,269
Repayment on notes payable	(600,000)	-	(2,746,867)
Net cash provided by financing activities	<u>(600,000)</u>	<u>75,500</u>	<u>15,897,626</u>
NET DECREASE IN CASH AND EFFECT OF EXCHANGE RATES ON CASH	-	8,050	4,503
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(8,382)	-
Beginning of period	<u>-</u>	<u>8,382</u>	<u>-</u>
End of period	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>