

TRADESTAR RESOURCES CORPORATION
Balance Sheet (Unaudited)

ASSETS

| | <u>June 30,</u> <u>2006</u> | <u>March 31,</u> <u>2006</u> |
|---|--------------------------------|---------------------------------|
| <u>Current Assets</u> | | |
| Cash | \$ 31,210.72 | \$ 72,315.56 |
| Accounts Receivable | <u>18,884.82</u> | <u>16,647.01</u> |
| Total Current Assets | <u>50,095.54</u> | <u>88,962.57</u> |
| <u>Property and Equipment</u> | | |
| Producing Properties | 155,699.52 | 69,694.21 |
| Equipment | 48,735.32 | 44,506.49 |
| Non-Producing Leases | 49,950.00 | 49,950.00 |
| Automotive Expenses | <u>20,554.81</u> | <u>20,554.81</u> |
| Total | 274,939.65 | 184,705.51 |
| Less Accumulated Depreciation and Depletion | <u>21,990.00</u> | <u>13,490.00</u> |
| Property and Equipment - Net | <u>252,949.65</u> | <u>171,215.51</u> |
| <u>Other Assets</u> | | |
| Organization Cost | 37,700.00 | 37,700.00 |
| Deposit | <u>25,000.00</u> | <u>25,000.00</u> |
| Total Other Assets | <u>62,700.00</u> | <u>62,700.00</u> |
| Total Assets | <u>\$ 365,745.19</u> | <u>\$ 322,878.08</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|----------------------|----------------------|
| <u>Current Liabilities</u> | | |
| Accounts Payable | \$ 5,250.00 | \$ 4,350.00 |
| Note Payable - Stockholder's | <u>82,500.00</u> | <u>22,500.00</u> |
| Total Current Liabilities | <u>87,750.00</u> | <u>26,850.00</u> |
| <u>Stockholders' Equity</u> | | |
| Common Stock, \$0.001 par value, 400,000,000 shares authorized, 2,968,867 issued and outstanding | 2,968.87 | 59,377.33 |
| Paid in Capital | 445,521.13 | 389,112.67 |
| Retained Earnings (Deficit) | <u>(170,494.81)</u> | <u>(152,461.92)</u> |
| Total Stockholders' Equity | <u>277,995.19</u> | <u>296,028.08</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 365,745.19</u> | <u>\$ 322,878.08</u> |

TRADESTAR RESOURCES CORPORATION
Statement of Income (Loss) and Retained Earnings (Deficit)(Unaudited)

| | For the Three Months Ending <u>June 30, 2006</u> | For the Year Ending <u>March 31, 2006</u> |
|--|--|---|
| Revenue | \$ <u>74,560.35</u> | \$ <u>280,601.01</u> |
| Expenses | | |
| Lease Operating | 29,694.08 | 97,078.65 |
| General and Administrative | 36,453.92 | 179,530.88 |
| Depreciation and depletion | <u>26,500.00</u> | <u>12,922.00</u> |
| Total Expenses | <u>92,648.00</u> | <u>289,531.53</u> |
| Net Income (Loss) from operation | <u>(18,087.65)</u> | <u>(8,930.52)</u> |
| Other Income | | |
| Gain on Forgiveness of Debt | -0- | -0- |
| Sale of Lease | -0- | 3,369.26 |
| Interest Income | <u>54.76</u> | <u>118.87</u> |
| Total Other Income | <u>54.76</u> | <u>3,488.13</u> |
| Net Income (Loss) | (18,032.89) | (5,442.39) |
| Retained Earnings, (Deficit) Beginning of Period | <u>(152,461.92)</u> | <u>(147,019.53)</u> |
| Retained Earnings, (Deficit) End of Period | <u>\$(170,494.81)</u> | <u>\$(152,461.92)</u> |

TRADESTAR RESOURCES CORPORATION
Statement of Changes in Stockholder's Equity
June 30, 2006

| | <u>Common Stock</u> <u>Shares</u> | <u>Amount</u> | <u>Paid-In</u> <u>Capital</u> | <u>Retained</u> <u>Earnings</u> | <u>Total</u> <u>Equity</u> |
|--|--------------------------------------|-------------------|----------------------------------|------------------------------------|-------------------------------|
| Balance March 31, 2004 | 34,139,749 | \$34,140.00 | \$ -0- | \$(641,505.56) | \$(607,365.56) |
| Common Stock Issues for Services in April 2004 | 150,000 | 150.00 | -0- | -0- | 150.00 |
| Common Stock Issued for Cash during the period from July 2004 through February 2005 | 25,087,580 | 25,087.33 | 389,112.67 | -0- | 414,200.00 |
| Net Profit (Loss) for the Year | | | | 494,486.03 | 494,486.03 |
| Balance March 31, 2005 | 59,377,329 | 59,377.33 | 389,112.67 | (147,019.53) | 301,470.47 |
| Net Profit (Loss) for the Year | | | | (5,442.39) | (5,442.39) |
| Balance March 31, 2006 | 59,377,329 | 59,377.33 | 389,112.67 | (152,461.92) | 296,028.08 |
| Reverse Split (20 to 1) effective June 9, 2006 | (56,408,462) | (56,408.46) | 56,408.46 | | |
| Net Profit (Loss) for the Three Months Ending June 30, 2006 | | | | (18,032.89) | (18,032.89) |
| Balance June 30, 2006 | <u>2,968,867</u> | <u>\$2,968.87</u> | <u>\$445,521.13</u> | <u>\$(170,494.81)</u> | <u>\$277,995.19</u> |

TRADESTAR RESOURCES CORPORATION
Statement of Cash Flow (Unaudited)

| | For the Three Months Ending <u>June 30, 2006</u> | For the Year Ending <u>March 31, 2006</u> |
|--|--|---|
| Cash Flows from operating activities | | |
| Net Income (Loss) | \$(18,032.89) | \$ (5,442.39) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Accumulated Depreciation | 8,500.00 | 12,922.00 |
| Proceeds from Sale of Lease | -0- | 160,630.74 |
| Accounts Receivable - Trade | (2,237.81) | (16,647.01) |
| Accounts Payable - Trade | 900.00 | 4,350.00 |
| Total Adjustments | <u>7,162.19</u> | <u>161,255.73</u> |
| Net Cash provided by Operations | <u>(10,870.70)</u> | <u>155,813.34</u> |
| Cash Flows from operating activities User For | | |
| Purchase of Producing Properties and Equipment | 90,234.14 | 71,752.15 |
| Purchase of Automotive Equipment | -0- | 20,554.81 |
| Deposit | <u>-0-</u> | <u>25,000.00</u> |
| Net cash used in investing | <u>90,234.14</u> | <u>117,306.96</u> |
| Cash Flows from financing activities | | |
| Proceeds From | | |
| Loan from Shareholder | <u>60,000.00</u> | <u>-0-</u> |
| Net Cash used in financing | <u>60,000.00</u> | <u>-0-</u> |
| Net increase (decrease) in cash | <u>\$ (41,104.84)</u> | <u>\$ 38,506.38</u> |
| Summary | | |
| Cash Balance at End of Period | \$ 31,210.72 | \$ 72,315.56 |
| Cash Balance at Beginning of Period | <u>72,315.56</u> | <u>33,809.18</u> |
| Net Increase (Decrease) in Cash | <u>\$ (41,104.84)</u> | <u>\$ 38,506.38</u> |

TRADESTAR RESOURCES CORPORATION

Notes to Financial Statements Unaudited

June 30, 2006

Note A - Organization and Description of Business

Tradestar Corporation (Company) was incorporated as Western Research and Manufacturing Company under the laws of the State of Utah on March 22, 1966 as a manufacturing concern. Western Research and Manufacturing was inactive from 1977 to March 1980 when it was granted a Discharge in Bankruptcy. The Company was reactivated in March 1980 by the acquisition of all of the assets of MRDB Investments, a partnership, after which acquisition its name changed to Tierra Energy Corporation. The Company then began to engage in the oil and gas exploration and development business. In 1982, the Company completed a domiciliary merger to change its state of incorporation to Oklahoma, to reduce the par value of its shares of common stock and to adopt new Articles of Incorporation and corporate by-laws. In 1985, the Company changed its name to Tradestar Corporation.

In February 1987, the Company exchanged all of its assets for common stock in a company then known as "Snow Tiger, Inc." and the assumption of all liabilities. The Company then declared a property dividend to its shareholders and distributed 100% of its holdings in Snow Tiger, Inc. to the Company's shareholders.

The Company has had no significant operations, assets or liabilities from 1987 through 2000. Accordingly, the Company was dependent upon the management and/or significant shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase.

On May 8, 1998, at the Company's Annual Meeting of Shareholders, a 15 for 1 reverse stock split was approved, effective as of that date. All amounts in the accompanying financial statements reflect the effect of this reverse split as of the first day of the first period presented herein.

On May 15, 1998, the Company amended its Articles of Incorporation to modify the Company's capital structure to authorize the issuance of up to 100,000,000 shares of \$0.001 par value common stock from the previously authorized 20,000,000 share of \$0.01 par value common stock. No change was made to the authorized amounts and par value of the Company's Preferred Stock. The effect of this transaction had been reflected in the accompanying financial statements during the period in which the change was effective.

On August 3, 1998, the Company issued an aggregate approximate 32,826,925 post 15 for 1 reverse split shares of restricted, unregistered common stock to an individual in anticipation of a pending business transaction to recapitalize the Company through the contribution of various operating assets. These shares were issued pursuant to an oral stock subscription agreement by and between the individual and the Company. On September 4, 1998, the individual funded the stock subscription agreement with the opening of a cash account in the Company's name. In March 2000 32,826,924 shares of the stock were acquired by a group of individuals.

During the year 2000 the Company acquired certain oil and gas leases that the Company operated until 2002. The Company disposed of all of its leases at a loss in 2002.

In 2004, control of the Company was transferred to a group who sought to purchase leases and develop oil and gas properties. As part of the consideration the note receivable, bank debt, and prior stockholder's loans were forgiven and assumed by the former controlling group.

On June 9, 2006 the Company reincorporated in the State of Nevada under the name of Tradestar Resources Corporation and amended its corporate charter. The amendment authorized 400,000,000 Class A Common Shares and 100,000,000 of Preferred Shares both with par value of \$.001. The previously issued Common Stock was reverse split 20 to 1. The stock outstanding after the split was 2,968,867.

TRADESTAR RESOURCES CORPORATION
Notes to Financial Statements - Continued
June 30, 2006

Note B - Summary of Significant Accounting Policies

Nature of Operations

The Company is in the business of acquiring oil and gas leases for re-entry and workovers. In the process the company will buy and sell leases.

Cash and Cash Equivalents

For Statement of Cash Flows purposes, the Company considers all cash on hand and in banks, including accounts in book overdraft positions, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

Trade Accounts Receivable

Trade accounts receivable is recorded at the amounts the Company expects to collect on balances outstanding at the end of the period reported.

Property and Equipment

Property and equipment are carried at cost. Depreciation and depletion of property and equipment is provided using the straight-line method for financial reporting purposes over the estimated useful lives of the assets.

Income Taxes

The company has had significant net operating losses in past that has resulted in tax loss carryover. A significant amount of the carryover was used for the year ending March 31, 2005. The loss carryover amount available to off-set future income is \$52,376 and if not used expire in various amounts thru the year 2019.

Note C - Method of Accounting

For financial reporting, revenues are recognized when earned and costs are recognized when incurred.

Note D - Use of Estimates

The preparation of 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.