

# TRADESTAR RESOURCES CORPORATION

## Consolidated Balance Sheet

June 30, 2008 and 2007

	ASSETS	
	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Regions Bank (Note 1)	\$ 32,690.12	\$ 14,757.35
Accounts Receivable - Trade	50,286.24	25,866.13
Loan Rec. - ETG (Note 3)	1,000.00	0.00
Loan Rec. - Tom Feimster (Note 3)	6,540.00	5,040.00
Expense Clearing Account	1,801.85	1,501.93
Employee Advances	1,000.00	500.00
	<u>93,318.21</u>	<u>47,665.41</u>
<b>Total Current Assets</b>		
	<u>93,318.21</u>	<u>47,665.41</u>
<b>PROPERTY AND EQUIPMENT</b>		
Automotive (Note 2)	36,119.00	36,119.00
Office Furniture & Fixture (Note 2)	3,837.51	3,837.51
Equipment (Note 2)	90,258.84	90,258.84
Producing Properties (Note 2)	69,645.19	69,645.19
Non producing Leases (Note 2)	49,950.00	49,950.00
Accum Depr. & Depletion (Note 2)	(58,107.25)	(33,317.25)
	<u>191,703.29</u>	<u>216,493.29</u>
<b>Total Property and Equipment</b>		
	<u>191,703.29</u>	<u>216,493.29</u>
<b>OTHER ASSETS</b>		
Organization Costs	37,700.00	37,700.00
Deposits	5,606.00	30,606.00
	<u>43,306.00</u>	<u>68,306.00</u>
<b>Total Other Assets</b>		
	<u>43,306.00</u>	<u>68,306.00</u>
<b>TOTAL ASSETS</b>	<u>\$ 328,327.50</u>	<u>\$ 332,464.70</u>

# TRADESTAR RESOURCES CORPORATION

## Consolidated Balance Sheet

June 30, 2008 and 2007

### LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 28,950.28	\$ 2,259.35
N/P-Ford Credit - 2007 Truck	27,024.52	32,119.00
Notes Payable Stockholder	82,500.00	82,500.00
Payroll Liabilities	<u>3,603.24</u>	<u>3,827.38</u>
<b>Total Current Liabilities</b>	<u>142,078.04</u>	<u>120,705.73</u>
<b>LONG-TERM LIABILITIES</b>		
<b>Total Long-Term Liabilities</b>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>142,078.04</u>	<u>120,705.73</u>
<b>STOCKHOLDERS' EQUITY (Note 4)</b>		
Paid in Capital	729,136.15	753,886.15
Capital Stock, \$0.001 par value, 400,000,000 shares authorized, 13,953,852 issued and outstanding	13,953.85	14,203.85
Retained Earnings	(613,691.75)	(485,095.53)
Net Income (Loss)	<u>56,851.21</u>	<u>(71,235.50)</u>
<b>Total Stockholders' Equity</b>	<u>186,249.46</u>	<u>211,758.97</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 328,327.50</u>	<u>\$ 332,464.70</u>

The accompanying notes are an integral part of these financial statements

**TRADESTAR RESOURCES CORPORATION**  
**Consolidated Income Statement**  
**For Three Months Ended June 30, 2008 and 2007**

	<u>Three Months Ended June 30, 2008 (First quarter of fiscal year)</u>	<u>Three Months Ended June 30, 2007 (First quarter of fiscal year)</u>
<b>Revenue</b>		
Oil & Gas Revenue	\$ 140,765.39	\$ 92,377.84
<b>Total Revenue</b>	<u>140,765.39</u>	<u>92,377.84</u>
<b>Expenses</b>		
General & Admin. Expenses	76,959.40	59,398.19
Lease Operating Expenses	77,359.78	92,999.09
Depreciation Expense (Note 2)	<u>4,595.00</u>	<u>7,800.00</u>
<b>Total Expenses</b>	<u>158,914.18</u>	<u>160,197.28</u>
<b>Other Income</b>		
Gain (Loss) on sale of assets	<u>75,000.00</u>	<u>(3,416.06)</u>
<b>Total Other Income</b>	<u>75,000.00</u>	<u>(3,416.06)</u>
<b>Net Income (Loss)</b>	<u>\$ 56,851.21</u>	<u>\$ (71,235.50)</u>

**TRADESTAR RESOURCES CORPORATION**  
**Consolidated Statement Of Cash Flows**  
**Three Months Ended June 30, 2008 and 2007**

	<u>Three Months Ended June 30, 2008 (First quarter of fiscal year)</u>	<u>Three Months Ended June 30, 2007 (First quarter of fiscal year)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 56,851.21	\$ (71,235.50)
<b>Adjustments to reconcile Net Income (Loss) to net Cash:</b>		
Depreciation Expense	4,595.00	(298.75)
<b>(Increase) Decrease in:</b>		
Accounts Receivable - Trade	(21,602.78)	50,000.00
Loan Rec.- Tom Feimster	0.00	(5,040.00)
Expense Clearing Account	(506.25)	(1,778.88)
<b>Increase (Decrease) in:</b>		
Accounts Payable	(31,364.64)	1,094.35
Payroll Liabilities	(509.86)	3,703.06
	<u>(49,388.53)</u>	<u>47,679.78</u>
<b>Total Adjustments</b>		
<b>Net Cash Provided By (Used In) Operating Activities</b>	7,462.68	(23,555.72)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Automotive	0.00	(15,564.19)
	<u>0.00</u>	<u>(15,564.19)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	0.00	(15,564.19)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
N/P-Ford Credit-2007 Truck	(1,326.55)	32,119.00
	<u>(1,326.55)</u>	<u>32,119.00</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>	(1,326.55)	32,119.00
<b>NET INCREASE (DECREASE) IN CASH</b>	6,136.13	(7,000.91)
<b>CASH AT BEGINNING OF PERIOD</b>	<u>26,553.99</u>	<u>21,758.26</u>
<b>CASH AT END OF PERIOD</b>	<u>\$ 32,690.12</u>	<u>\$ 14,757.35</u>

The accompanying notes are an integral part of these financial statements

**TRADESTAR RESOURCES COMPANY**  
**Consolidated Statement Of Changes In Stockholder's Equity**  
**For Three Months Ended June 30, 2008**

	Common Stock			Retained Earnings	Total Equity
	Shares	Amount	Paid-In Capital		
Stockholder's Equity Balance, March 31, 2008 as Previously Reported	13,953,852	\$13,953.85	\$729,136.15	\$(613,691.75)	\$129,398.25
Net Profit (Loss) for the three months ended June 30, 2008	-	0.00	0.00	56,851.21	56,851.21
Balance, June 30, 2008	<u>13,953,852</u>	<u>\$13,953.85</u>	<u>\$729,136.15</u>	<u>\$(556,840.54)</u>	<u>\$186,249.46</u>

# TRADESTAR RESOURCES CORPORATION

## Notes to Financial Statements

June 30, 2008

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Tradestar Resources Corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to the GAAP basis of accounting and have been consistently applied in the preparation of the financial statements.

#### 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. The company operates on a fiscal year ending March 31<sup>st</sup>.

#### Basis of Accounting

The accrual method is used for financial statement purposes and is intended to present the financial position and results of operations in accordance with generally accepted accounting principles.

#### Principles of Consolidation

The consolidated financial statements include the accounts of Tradestar Resources, Inc., its wholly owned subsidiary Tradestar Energy, Inc., and its share of the assets, liabilities, revenues, and expenses. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certificates of deposit that mature within three months of the date of purchase.

#### Long-Lived Assets

Long-lived assets to be held and used or disposed of other than by sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used or disposed of other than by sale are recognized based on the fair value of the asset. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amount of fair value less cost to sell.

# TRADESTAR RESOURCES CORPORATION

## Notes to Financial Statements

June 30, 2008

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Taxes

The company has had significant net operating losses in the past which have resulted in tax loss carryover. A significant amount of the carryover was used for the year ending March 31, 2006. 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.

#### Fixed Assets

Fixed assets are stated at cost. Expenditures for maintenance and repairs that do not improve or extend the useful lives of assets are charged to expenses. Major renewals and betterments are charged to the fixed asset accounts. Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from the fixed asset accounts and any gain or loss is recognized in income or expense.

#### 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 – Fixed Assets

An analysis of the fixed asset accounts and the related accumulated depreciation is presented below:

	6/30/07			6/30/08
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Automotives	\$36,119.00	\$0.00	\$0.00	\$36,119.00
Office Furniture	3,837.51	0.00	0.00	3,837.51
Equipment	90,258.84	0.00	0.00	90,258.84
Producing Properties	69,645.19	0.00	0.00	69,645.19
Non-producing Leases	<u>49,950.00</u>	<u>0.00</u>	<u>0.00</u>	<u>49,950.00</u>
Net Assets	<u>249,810.54</u>	<u>0.00</u>	<u>0.00</u>	<u>249,810.54</u>
Accumulated Depreciation	<u>33,317.25</u>	<u>24,790.00</u>	<u>0.00</u>	<u>58,107.25</u>
Fixed Assets, net	<u>\$216,493.29</u>	<u>(\$24,790.00)</u>	<u>\$0.00</u>	<u>\$191,703.29</u>

# TRADESTAR RESOURCES CORPORATION

## Notes to Financial Statements

June 30, 2008

### NOTE 3 – RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Company enters into certain transactions with officers of the Company. Such transactions include loans to the Company from officers as well as loans from the Company to the officers. During the three months ended June 30, 2008 the Company had no outstanding loans from any officers and loans totaling \$6,540 to officers of the Company as well as a loan of \$1,000 to a wholly owned company owned by an officer.

### NOTE 4 – RESTRICTED STOCK OUTSTANDING

Out of the 13,953,852 shares issued and outstanding, there are 6,684,456 shares that are restricted and 7,519,396 that are unrestricted. The restrictions have to do with how long a shareholder is required to keep the stock before selling it. Anybody affiliated with Tradestar Resources Company is restricted from selling their stock for two years.

### NOTE 5 – SUBSEQUENT EVENTS

A stock option agreement for the issuance of 9,597,128 shares of restricted stock for \$.0001 per share to three directors and the SEC Council will be consummated in the 2<sup>nd</sup> quarter of fiscal year 2008. Also, 500,000 shares of common stock will be cancelled upon return to the Corporation's transfer agent during the same period.

On July 15, 2008, Tradestar Resources, Inc. reached an agreement with Trendsetter Production Co. to purchase the Kelly/Norris lease and the related equipment in exchange for \$150,000 payable from the lease's royalties.