

**Green Star Products, Inc.**  
**Balance Sheet**  
**December 31, 2007**  
**(unaudited)**

**Assets**

**Current assets:**

Cash	\$ 280,549
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**Other assets:**

Accounts receivable	5,717
Deposit	35,000
Loans receivable from related parties	94,620
Other loans receivable	179,309
Investment - Inland Empire Oilseeds, LLC	1,100,000
	<u>\$ 1,695,196</u>

**Liabilities and Stockholders' Deficit**

**Current liabilities**

Accounts payable and accrued expenses	958,770
Payroll taxes payable	210,559
Income taxes payable	46,000
Due to related parties	428,417
Reserve for royalty fees	137,478
Common stock to issue liability	131,500
Current portion of notes and loans payable	275,696
	<u>2,188,421</u>

Total current liabilities

**Notes and loans payable, less current portion**

165,000

**Stockholders' deficit**

Common stock; \$.001 par value, 400,000,000 shares authorized, 365,763,223 shares issued and outstanding	365,718
Additional paid-in capital	13,336,498
Accumulated deficit	(14,360,440)
	<u>(658,224)</u>

Total stockholders' deficit

\$ 1,695,196

**Green Star Products, Inc.**  
**Statement of Operations**  
**Year ended December 31, 2007**  
**(unaudited)**

<b>Operating revenue -</b>	
BioFuel products and services	2,484,868
<b>Cost of goods sold</b>	<u>1,084,721</u>
<b>Gross profit</b>	<u>1,400,147</u>
<b>Operating expenses</b>	
Interest expense	102,524
Consulting fees	451,453
General and administrative expenses	333,586
Impairment loss on note receivable - ABF	<u>11,302</u>
Total operating expenses	<u>898,865</u>
<b>Net profit from continuing operations</b>	501,282
<b>Provision for income taxes</b>	<u>46,000</u>
<b>Net profit (loss)</b>	<u><u>\$ 455,282</u></u>
<b>Net profit (loss) per share, basic and diluted</b>	<u><u>\$ (0.00)</u></u>
<b>Weighted average common equivalent shares     outstanding, basic and diluted</b>	355,367,709

**Green Stars Product, Inc.**  
**Statement of Stockholders' Equity**  
**Year ended December 31, 2007**  
**(unaudited)**

	Common Stock		Additional	Accumulated	Total
	Number	\$0.001	paid-in	deficit	stockholders'
	of shares	Par value	capital		equity
<b>Balance, December 31, 2006</b>	336,694,846	\$ 336,650	\$ 12,263,727	\$ (14,815,722)	\$ (2,215,346)
Shares issued to Amercian Biofuels, Inc.	6,100,000	6,100	301,000		307,100
Shares issued for cash	10,500,888	10,501	184,499		195,000
Shares issued for services	6,802,088	6,802	342,127		348,930
Shares issued for debt reduction	5,665,401	5,665	245,145		250,810
Net Loss				455,282	455,282
<b>Balance, December 31, 2007</b>	<u>365,763,223</u>	<u>\$ 365,718</u>	<u>\$ 13,336,498</u>	<u>\$ (14,360,440)</u>	<u>\$ (658,224)</u>



**Green Star Products, Inc.**  
**Notes to Financial Statements**  
**For Year ended December 31, 2007**  
**(unaudited)**

**Note 1 – Organization and Basis of Preparation**

In June of 1992, Green Star Products, Inc. (“GSPI” or the “Company”) formerly known as B.A.T. International, Inc. and Subsidiaries entered into a plan of reorganization whereby it merged into October Associates, Inc., a corporation with no assets or liabilities, and no operations, in a stock for stock exchange. The name of the Company was changed to B.A.T. International, Inc. and the predecessor corporation was dissolved, and the name was again changed to Green Star Products, Inc. in July of 2002. The combination was accounted for as a reorganization of companies under common control, in a manner similar to pooling of interests accounting.

Operations through 1994 consisted of designing and developing electric retrofitted automobiles. In early 1995 the Company closed its facilities in Salt Lake City, Utah, and abandoned its remaining assets. In October 1997, B.A.T. California, Inc. ceased operations.

More recently, the Company’s primary focus has been in the following areas:

- a) The design and engineering of bio-diesel reactors and process control systems. Based on the Company’s broad experience and knowledge, gained from its involvement of bio-fuel production, GSPI has designed and engineered a state-of-the-art continuous flow, waterless reactor with a capacity in excess of 10-million gallons of bio-fuel per year. Combined with its process control module, the advanced technology converts feedstock to bio-diesel in minutes (versus one to two hours for the rest of the industry). The system requires minimum maintenance and plant operation staff, and reduces energy requirements by more than 30% over industry standards. In the build-out of a new bio-diesel plant, the integration of GSPI’s reactor and process control module will reduce capital cost by more than 50%, when compared to the industry average.
- b) A consortium formation between GSPI and companies whose relationships include license alliances in the technological, financial and environmental arenas. The consortium projects will include biodiesel, ethanol, and crossover proven technologies, which will result in a strategic assembly of “waste and renewable feedstock to energy, fuel, food and chemical staples”.
- c) The research and development of alternative feedstock for biodiesel and ethanol production. One such alternative is algae, which eat CO<sub>2</sub>, the biggest global warming gas. The attractiveness of algae is that it can produce up to 100 times more oil per acre than traditionally used agricultural oil crops while not using valuable agricultural land. Also, as a by product of the crushing process, algae can provide meal, an important and valuable food source. With its consortium partner, GSPI has assembled a seven-member research team at the University of Baja California in Ensenada, Mexico, for the continued research of algae and its commercialization use in the production of biodiesel.
- d) The development and production of anti-friction metal treatment products. Under the name SuperBat TVT (Total Vehicle Treatment), the Company produces advanced anti-friction

lubricants and additives that reduces emissions and improves fuel economy in vehicles. TVT increases engine life and can be used in all internal combustion engines, transmissions, power steering, wheel bearings and differentials.

## **Note 2 – Related Party Transaction**

### **NRG Resources, Inc.**

On July, 2005, Green Star Products, Inc. entered into a purchase agreement with NRG Resources, Inc. (“NRG”) for the exclusive distribution rights of SuperBat TVT. NRG issued 500,000 shares of its stock to Green Star Products, Inc. for the purchase of the exclusive distribution rights. In addition, as an inducement to facilitate the transaction and in exchange for NRG’s plant equipment, used in the blending and packaging of SuperBat TVT, Green Star Products, Inc. issued 15,000,000 shares.

On April, 2006, in an effort to maintain the Company’s focus on the biodiesel industry and the development of renewable feedstock for fuel and energy, Green Star Products, Inc. entered into an agreement with NRG for the repurchase of the plant equipment. Under the repurchase agreement, NRG issued 875,000 shares of its stock in exchange for the plant equipment.

NRG is not a publicly traded company nor are audited financial statements available on the company. Since a fair market value for the NRG stock is not determinable, no book value is recognized for the 1,375,000 shares of NRG stock held by Green Star Products, Inc.

## **Note 3 – Accounts Payable and Accrued Expenses**

A summary is as follows:

	As of 12/31/2007
Accounts payable	\$ 68,677
Accrued expenses payable	541,000
Accrued interest	<u>349,093</u>
	\$ 958,770

## **Note 4 – Payroll Taxes Payable**

Payroll taxes payable consists of withheld payroll taxes from 1994 (which were not assumed by B.A.T. California, Inc.). The Company attempted to negotiate a settlement with the Internal Revenue Service but has not received any correspondence for the past seven years. To the extent such a settlement cannot be reached, the president of the corporation may become personally liable for a portion of such taxes.

## Note 5 – Notes and Loans Payable

A summary is as follows:

As of 12/31/2007

Global Galaxy Investments, Inc.	\$ 16,559
William Wason	63,222
Little Willow Creek Trust	165,000
Robert Deutsch	97,000
Dolphin Automotive Company, Inc.	208,417
Environmental Research	135,000
NRG Resources, Inc.	45,000
Dennis Mahoney	30,000
Capital Marketing	10,000
Other various note payables	<u>98,915</u>
Total	869,113
Less current portion	<u>704,113</u>
	\$ 165,000

## Note 6 – Major Developments

### Biodiesel Plant - Odessa, Washington

On August 27, 2007, Green Star Products, Inc. entered into a purchase contract with the Odessa Public Development Authority, a Washington Public Corporation (“OPDA”), for the purchase of its proprietary “continuous flow biodiesel reactor and control system”. The third party beneficiary of this Contract is Inland Empire Oilseeds, LLC (“IEO”), which is OPDA’s private industry partner and the manager of the project located in Odessa, Washington.

Under terms of the agreement, the Company will receive \$2,600,000 for the equipment, engineering and installation of a biodiesel refinery line, with a production capacity of 8,000,000 gallons of ASTM 6751 biodiesel a year, which represents Phase 1 of the project. In addition, the Company has acquired a 15.8% interest in the IEO partnership for \$1,100,000.