

Green Star Products, Inc.

Balance Sheets

(unaudited)

	March 31, 2012
Assets	
Current assets:	
Cash	1,648
Other assets:	
Loans receivable from related parties	695,931
Investment - Inland Empire Oilseeds, LLC	1,100,000
	<u>1,797,579</u>
Liabilities and Equity	
Current Liabilities	
Accounts payable and accrued expenses	586,301
Payroll taxes payable	292,193
Income taxes payable	86,000
Due to related parties	480,783
Common stock to issue liability	43,756
Current portion of notes and loans payable	99,652
	<u>1,588,685</u>
Total current liabilities	<u>1,588,685</u>
Notes and loans payable , less current portion	<u>-</u>
Stockholders' equity (deficit)	
Common stock; \$.001 par value, 675,000,000 shares authorized, 660,747,447 shares issued and outstanding as of March 31, 2012	660,702
Additional paid-in capital	15,045,957
Accumulated deficit	<u>(15,497,766)</u>
	<u>208,893</u>
Total stockholders' deficit	<u>208,893</u>
	1,797,579

Green Star Products, Inc.
Statements of Operations
(unaudited)

	Quarter Ended March 31, 2012
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Operating revenue:	-
Operating expenses:	
Interest expense	7,491
Compensation expenses	50,000
Consulting fees	5,790
General and administrative expenses	15,229
Total operating expenses	<hr/> 78,510
Net profit (loss) from continuing operations	(78,510)
Provision for income taxes	-
Net profit (loss)	(78,510)

Green Star Products, Inc.

Statements of Cash Flows

(unaudited)

	Quarter Ended March 31, 2012
Cash flows provided by (used for) operating activities:	
Net profit (loss)	(78,510)
Changes in assets and liabilities:	
Increase (decrease) in assets and liabilities:	
Loans receivable from related party	820
Accounts payable and accrued liabilities	59,492
Total adjustment	60,312
Net cash used for operating activities	(18,198)
Cash flows provided (used) by financing activities:	
Payments to notes and loans payable	(900)
Due to related parties	20,243
Net cash provided by financing activities	19,343
Net increase in cash	1,145
Cash, beginning of year	504
Cash, end of year	\$1,648

Green Star Products, Inc.
Statement of Stockholders' Equity
Quarter Ended March 31, 2012
(unaudited)

	Common Stock Number of shares	\$0.001 Par value	Additional paid-in capital	Accumulated deficit	Total stockholders' equity
Balance, December 31, 2011	<u>660,702,447</u>	<u>660,702</u>	<u>15,045,957</u>	<u>(15,419,256)</u>	<u>287,404</u>
Shares issued for cash	-	-	-		-
Shares issued for services	-	-	-		-
Shares issued for debt reduction	-	-	-		-
Shares issued on stock options exercised	-	-	-		-
Shares arising from discrepancy of records of transfer agent	45,000				
Net Profit				(78,510)	(78,510)
Balance, March 31, 2012	<u>660,747,447</u>	<u>660,702</u>	<u>15,045,957</u>	<u>(15,497,766)</u>	<u>208,893</u>

Green Star Products, Inc.
Notes to Financial Statements
Quarter Ended March 31, 2012
(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 was acquired by October Associates, Inc., a Utah public corporation. The name of the Company was changed to B.A.T. International, Inc., and the name was again changed to Green Star Products, Inc. in July of 2002.

Operations through 1994 consisted of designing and developing electric retrofitted automobiles. In early 1995 the Company closed its facilities in Salt Lake City, Utah, abandoned its remaining Utah assets and moved to California where it continued to build electric automobiles through 1998.

The Company’s primary focus is in the following areas:

- a) The design and engineering of biodiesel reactors and process control systems. Based on the Company’s broad experience and knowledge, gained from its involvement of biofuel 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 biodiesel 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 CO₂, 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 byproduct 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 TVT Green, the Company produces advanced anti-friction lubricants and additives that reduce emissions and improve fuel economy in engines and efficiencies of machines.

Change in Company Business Strategy and Recent Events

Because of the economic downturn and the financial crisis that developed in 2008 and 2009, Mr. LaStella formulated a new business strategy to address the changing business environment caused by the economic problems in the United States. This business strategy began in late 2010 and was discussed at the Stockholder's Meeting in January 2011. Primarily, without outlaying any significant cash, the Company would take advantage of its market position and technology developments to allow other companies to market and sell its products, license agreements, and technology transfers, to generate on-going revenue. This would only be available to other companies who provide "green and energy efficient products." In return, the Green Star Products would receive the ability to market their green products through GSPI customer base to generate additional revenue.

On January 4, 2011, Stockholder's Meeting the shareholder base of Green Star Products voted to reverse split the Company stock on a 10 for 1 basis. However, during the end of the first quarter of 2011, the new business strategy was already painting a new business picture for Green Star Products. Mr. LaStella and its new Board of Directors believe that the reverse stock split was unnecessary for the Company because of its future business outlook. Therefore, the new Board requested a Special Shareholder's Meeting to be held on June 4, 2011, to ask for a vote from the shareholder base to cancel the reverse split of the stock because of the improved business outlook of the Company. The cancellation of this reverse split was successful.

During the last quarter of 2010, and throughout 2011, Green Star Products entered into the following business arrangements with other companies:

- a) In 2011, Green Star Products signed an agreement with Eco Solutions Group for the development and sales of a new product line called "Italian Gun Grease," which would be used for high tech lubrication in the military, police, competition firearms and hunting weapons. The product line has received excellent reviews at several large international shows in 2011 and as a result, the product line has been expanded to include other lubricant products. Although no direct revenues were produced in 2011, Eco Solutions has commenced ordering products which should result in increased revenue for the Company in 2012.
- b) In late 2010, Green Star Products signed a contract with Innovasol LLC for an exclusive licensing arrangement to sell our TVT lubricant products to the railroad industry and highway vehicles exclusively. For 2010, the licensing agreement generated \$50,000 of fee income for the Company and resulted in the sale of \$37,000 of TVT product to Innovasol.
- c) In 2011, Green Star Products signed a distribution agreement with SPI Products which manufactures special industrial coatings. Green Star Products has proceeded to pursue the sale of these coatings in the United States, China and other countries. While there was no sales revenue

generated in 2011 for Green Star Products from SPI products, testing in other countries and the US have shown very positive results and the Company expect orders for these industrial coatings during 2012.

- d) Also in 2011, Green Star Products signed a contract with Innovasol Coatings, Inc. for the sale and installation of SPI products. In addition, the Company acquired a 19% equity interest in Innovasol Coatings. No income was generated from Innovasol Coatings in 2011; however the Company believes that this arrangement will generate income for GSPI in 2012.

Forward-looking statements in the “Notes to Financial Statements” which are not historical facts are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties that could render them materially different, including but not limited to, continued acceptance of the Company's products, the risk that competitors will develop similar products or reach the market first, the risk from increased levels of competition and/or unfair competition, the risk that we would not be able to fund working capital needs from cash flow, dependence on third-party suppliers, and other risks detailed from time to time in the Company's periodic filings.

Note 2 – Loans Receivable from Related Parties

A summary is as follows:

	<u>March 31, 2012</u>
Joseph P. LaStella, President	\$ 205,646
Consortium Partners	<u>490,285</u>
	\$ 695,931

Joseph P. LaStella, President

Joseph P. LaStella is the inventor of numerous patent applications filed with the U.S. Patent and Trademark Office for the continuous flow method and apparatus for making biodiesel fuel and system for removal of methanol from crude biodiesel fuel. Mr. LaStella assigned his patents in 2001 to Bio-Clean Fuels (“BCF”) and under a royalty agreement with BCF is able to personally borrow up to \$100,000 a year from BCF or “downline licenses”, which includes Green Star Products, Inc., against present or future royalties. Under the royalty agreement, Mr. LaStella is to receive a gross royalty of ¼ % of all produced products using his patented technology which will be the source of repayment for any such borrowings. His patented technology was used in the biodiesel refinery line that the Company recently built and installed for Inland Empire Oilseeds, LLC in Odessa, Washington.

Consortium Partners

In 2006, the Company and its consortium partners, Idaho Sustainable Energy and Biotech Research, begin to research algae as an alternative feedstock for the production of biofuel. The research included the testing and selection of algae strains, growth boosters and physical environments most suitable for the optimum production of algae oil. The research was extended to the field by the completion of a 100,000 liter microalgae demonstration facility in Montana in 2007, which was one of the largest built in the US at that time. The demonstration facility tested the ideal physical environment for algae growth and a production system for the harvesting and extraction of algae, known as the Hybrid Algae Production System (HAPS), which is patent pending. The Company is planning to advance the knowledge gained from the above research and to implement the HAPS on a 500-acre parcel, which would represent the initial phase of a commercially viable project. In 2009, Green Star Products is still very active in the algae to biodiesel arena with its Consortium Partners and has endeavored to pursue algae based biodiesel. During the year 2009, the Consortium Associated Partners in conjunction with Green Star Products responded to several requests for proposals from the federal government with included the US Department of Energy (US DOE) and US Department of Agriculture (USDA). These proposals, the largest of which was for \$24 million dollars received excellent reviews by the DOE and advanced significantly during the evaluation proceedings up to the oral presentation level, which is a high level of acceptance by the federal government for issuing final approval for funds. Although the reviews were very positive we did not obtain any funding due to, in the opinion of many experts in the area, low value (trivial) rejection items. The Consortium was encouraged to resubmit the proposals during the next requests from the federal government.

During the first quarter of 2012, Green Star Products in conjunction with its Consortium Partners submitted three proposals to the DOE under the ARPA-E program entitled “DE-FOA-0000670 Open Funding Opportunity Announcement”. This request for proposals addresses technologies which are viewed as cutting edge, next generation technologies. The three proposals totaled \$11.5 million in potential funding and were submitted before the dateline date of April 12, 2012.

Note 3 – Investment in Inland Empire Oilseeds, LLC

On August 27, 2007, Green Star Products, Inc. entered into a purchase contract with the Odessa Public Development Authority (“OPDA”), for the purchase of Green Star Products' 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, Green Star Products provided 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. In addition, Green Star Products acquired a 15.8% interest in the IEO partnership for \$1,100,000.

The Inland Empire Oilseeds LLC (IEO) biodiesel plant in Odessa, Washington, first came online in November 2008. IEO is a vertically integrated company and sources its feedstock within Washington and neighboring states, crushes seed and produces its own biodiesel.

The proprietary continuous flow reactor built by Green Star Products is responsible for turning raw oils and methanol catalyst through a transesterification chemical process into biodiesel.

The Odessa plant is one of the few plants in the United States which is capable of processing raw seed grown by local farmers directly into biodiesel. Approximately 90% of all the biodiesel plants in the United States do not have crushing facilities and are totally dependent on often irrationally high international vegetable oil prices. Such a plant should be looked at by the local community not as an initial money making proposition but as an insurance policy that extends forever for local farmers so they will never be held hostage to foreign oil.

In 2009, Green Star Products interest was reduced to 10.2% in relation to additional capital investment into the project. However, present owners will probably experience a reduction in participation to attract additional funding.

Note 4 – Accounts Payable and Accrued Expenses

A summary is as follows:

	<u>March 31, 2012</u>
Accounts payable	\$ 136,603
Accrued interest	199,699
Deferred compensation payable	<u>250,000</u>
	\$ 586,302

Note 5 – 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 6 – Notes and Loans Payable

A summary is as follows:

	<u>March 31, 2012</u>
Environmental Research	\$ 16,900
Robert Deutsch	4,796
Robert Feldhake	28,947
Dennis Mahoney	30,000

Dolphin Automotive Company, Inc.	137,417
Environmental Research Trust	92,450
Dolphin	60,215
BKS Energy, LLC	88,200
Idaho Sustainable Energy, LLC	40,370
Other various note payables	<u>81,140</u>
Total	\$ 580,435

Note 7 – Executive Compensation Agreement

On February 17, 2011, Joseph P. LaStella, president of the Company since 1992, entered into a compensation agreement with GSPI for his past and future services. Over the past 19 years Mr. LaStella never had a formal compensation agreement in place with the Company.

A summary of the terms of the agreement is as follows:

- a) Mr. LaStella’s annual salary, beginning 2011, will be \$200,000 and continue through 2015 at which time it will be renegotiated.
- b) Mr. LaStella will have a stock option to purchase 110 million shares of GSPI stock at a price equal to one-third (1/3) of the market value as of the closing price on February 11, 2011 (which has been fully exercised by him). In addition, the Company will make available to Mr. LaStella a stock loan for the purchase of the stock.
- c) He will receive 5% of the gross revenues produced from any future programs developed by him to increase the Company’s revenue, provided the programs remain in effect with GSPI.
- d) Future Intellectual Properties (IP) developed by Mr. LaStella will be negotiated on an individual basis if and when the IP proves successful in commercial operations.