

**REDSTAR GOLD CORP.**  
**Management's Discussion & Analysis**

**FORM 51-102F1**

**For the Period Ending**  
**June 30, 2007**

The following management discussion and analysis of the financial position of Redstar Gold Corp. ("Redstar" or the "Company") and results of operations of the Company should be read in conjunction with the audited financial statements including the notes thereto for the periods ending June 30, 2007 and March 31, 2007, respectively.

The accompanying audited financial statements and related notes are presented in accordance with Canadian generally accepted accounting principles. These statements, together with the following management's discussion and analysis dated August 28, 2007 ("Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Overall Performance**

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The Company is a junior mining and exploration organization engaged in the exploration and subsequent development of prospective mineral targets in Nevada, USA and in the Red Lake region of northwestern Ontario.

During the twelve month period ending March 31, 2007 the company did not raise any funds.

In May 2007, the Company completed a brokered private placement and issued 12,500,000 units at a price of \$0.20 per unit for gross proceeds of \$2,500,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share until May 31, 2009 at a price of \$0.30. As consideration for services, the agents received commissions of \$26,250 cash, 743,750 units on the same terms as above and 1,250,000 compensation options. Each compensation option entitles the agents to purchase one broker unit until May 31, 2009 at an exercise price of \$0.20. Each broker unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share until May 31, 2009 at a price of \$0.30. All securities issued pursuant to the private placement have a four-month hold period that expires on October 12, 2007.

Administrative expenses for the three month period ending June 30, 2007, before stock-based compensation costs, total \$137,819. Exploration expenditures during the this period, net of recoveries, total \$11,922 of which \$53,273 was spent on exploration while \$41,351 was recovered on acquisition costs. Including exploration and acquisition amounts from previous periods, the Company has spent \$771,582 on the Red Lake property and \$611,084 on the Nevada properties.

The Company is a publicly held exploration stage company and currently does not generate any revenue from its operations. Instead the Company relies on equity financings to meet its exploration obligations and administrative costs. The loss for the three month period ending June 30, 2007 totaled \$199,886 representing a basic loss per share of \$0.00. The Company does not report earnings on a diluted loss per share basis due to the potential to understate the Company's loss on shares that may or may not be realized through the exercise of share purchase warrants or incentive stock options.

The loss for the period ending June 30, 2007 includes a non-cash charge of \$54,230 for stock-based compensation costs. The Company also spent \$30,000 in contract wages for administration on the Company, \$28,403 for legal fees primarily due to the private placement financing and \$22,823 on business promotion.

Mineral exploration expenses, net of recoveries, totalled \$11,921 and were incurred primarily on the Company's Nevada properties.

The Company has no long term debt and does not pay out any dividends.

### Summary of Quarterly Results

|                    | Income (Loss) before<br>discontinued operations | Net Income<br>(Loss) per share | Revenue |
|--------------------|---|--------------------------------|---------|
|                    | \$  | \$                             | \$      |
| June 30, 2007      | (199,886)                                       | 0.00                           | -       |
| March 31, 2007     | (194,265)                                       | (0.01)                         | -       |
| December 31, 2006  | (72,833)  | 0.00                           | -       |
| September 30, 2006 | (187,374)                                       | (0.01)                         | -       |
| June 30, 2006      | (54,675)  | 0.00                           | 45,000* |
| March 31, 2006     | (236,015)                                       | (0.01)                         | -       |
| December 31, 2005  | (119,607)                                       | 0.00                           | -       |
| September 30, 2005 | (110,584)                                       | 0.00                           | -       |

\*Option income.

Fluctuations in the Company's expenditures reflect the seasonal variations of exploration and the ability of the Company to raise capital for its projects. This year the Company will have a significant exploration program on its 100% owned Newman Todd project in Red Lake as well as continuing to add to its growing portfolio of Nevada gold projects and this in turn, raises costs associated with promotion, travel and general expenses.

### Results of Operations

#### Newman Todd Property, Red Lake

In March, 2006, the Company announced a phase II drill program to follow-up on the high-grade results obtained from the previous drilling on the Newman Todd property. Previous drilling by the Company intersected wide zones of breccia with anomalous to high-grade gold mineralization. Results from this earlier drilling were released October 26, 2005 and were highlighted by 3.05 feet grading 2.0 opt gold (69.02 g/t over 1.0 metres) within a 9.14 foot zone grading 0.73 opt gold (24.89 g/t over 3.0 metres) (hole NT-031). The drilling confirmed the presence of wide spread gold mineralization associated with breccia zones. The phase II program was designed to further explore the area of the high-grade intercept as well as test additional targets on the property

During the fiscal year, the Company completed six diamond drill holes on the Newman Todd property and released the final results May 11, 2006. Highlights of the program include drill hole NT-036 which collared in rhyolite with quartz veining containing values up to 6.67 g/t gold over 1.0 metre near the top of the hole. This hole was continued to a depth of 390 metres after intersecting wide zones of breccia mineralization with values up to 16.35 g/t gold over 1.0 metre

within a 2.0 metre zone grading 12.08 g/t gold at a vertical depth of 189 metres. This hole was drilled over 850 metres northeast of the high-grade mineralization intersected in 2005.

Additional drilling in the area of drill hole NT-031 continued to intersect wide zones of low-grade gold mineralization with occasional higher grade sections. These higher grade intercepts are hosted in an easterly dipping – north striking, massive to semi-massive sulphide replacement zone including pyrite, pyrrhotite and magnetite. In addition, the Company's technical staff has now identified west dipping, gold bearing structures which may be integral to localizing gold mineralization. Drill hole NT-038 intersected 6.20 g/t gold over 1.0 metre within one of these structures. The intersection of these structures with the sulphide replacement zone described above may be the key to localizing high-grade gold mineralization at Newman Todd.

On June 5, 2007, the Company announced its plan to aggressively explore its 100% owned Newman Todd project. A \$1,000,000 program is planned for 2007.

### **Pine Nut Property, Nevada USA**

The Pine Nut project in the Walker Lane Belt of north western Nevada was acquired in July, 2005. The project represents the first property acquisition made as a result of an exploration partnership between the Company and AngloGold Ashanti North America Inc. (AngloGold Ashanti).

The Pine Nut property covers a large, under explored, epithermal gold system. Surface mapping has identified multiple gold bearing quartz veins within a zone that has been traced over an area approximately 3000 metres north-south by 300 metres east-west. Quartz stringer zones up to 30 metres wide have been mapped with individual veins up to 3.0 metres wide. Previous, wide spaced reverse circulation drilling, intersected gold values up to 11.5 g/t over 1.52 metres within quartz veins. Surface sampling identified numerous gold values over 10 g/t with the best value being 37.7g/t over 3.0 metres.

Eight diamond drill holes totalling 7,145 feet were completed on the Pine Nut project in the summer of 2006. Highlights include the highest-grade intersection yet reported for the property, with hole PNR-4 returning 0.799 ounces per ton (opt) gold (Au) over an approximate true width of 2.1 feet, within a massive vein yielding a composite of 0.373 opt gold over 5.3 feet.

All eight core holes intersected multiple quartz veins and gold mineralization exceeding 0.010 opt gold. PNR-4 tested the middle of three northerly-trending veins, which form a vein system 6,200 feet (1,900 m) long by 1,300 feet (400 m) wide. The massive vein consists of multiple-finely-banded crustiform quartz and chalcedony with local fine-grained sulfides and bladed quartz.

The diamond drill program and land tenure was funded (\$544,411) by Strategic Nevada Resources (formerly Strategic Merchant Bancorp Ltd.) under the terms of an option agreement (January, 2006) whereby Strategic could earn up to a 70% interest in the Pine Nut project.

In January, 2007, Strategic Nevada Resources (formerly Strategic Merchant Bancorp Ltd.) withdrew from the option agreement on the Pine Nut property. The Company regained 100% ownership and control.

### **Dry Gulch Property, Nevada USA**

The Dry Gulch project was acquired through staking in early October, 2005. The property is located six miles southeast of the northern Carlin trend deposits (e.g., Carlin and West Leeville

deposit areas hosting greater than 9.7 million ounces of gold production and reserves) and six miles northeast of the Gold Quarry deposit area hosting greater than 15 million ounces gold production and reserves. The property is located at the junction of important ore controlling structures that can be traced back to the northern Carlin deposits and the Gold Quarry deposits. The project covers an uplifted structural block containing thinly-bedded, carbonaceous silty limestones similar to units that host the productive gold systems of the Carlin trend. The project is also surrounded by intrusive rocks of Late Eocene age, known to be the drivers to the gold systems along the Carlin trend. The position of the project with respect to these igneous centers is also considered favourable.

The Dry Gulch property acquisition is based on the following criteria:

1. the location within the Carlin Trend and the proximity to over 24 million ounces of gold;
2. a new structural interpretation based on published data and proprietary geophysical data;
3. new geological mapping of the Dry Gulch area; and
4. the ability to acquire a significant land position in the area

During the fiscal year, minor rock sampling and mapping was completed on the project. A gravity survey was completed on the project to help define potential ore controlling structures. Contingent on drill availability, a drill program is planned for 2007. All necessary permitting and bonding issues have been completed for the drill program.

The program and land tenure was funded (\$64,080) by Strategic Nevada Resources (formerly Strategic Merchant Bancorp Ltd.) under the terms of an option agreement (January 2006) whereby Strategic could earn up to a 70% interest in the Pine Nut project.

In January, 2007, Strategic Nevada Resources (formerly Strategic Merchant Bancorp Ltd.) withdrew from the option agreement on the Dry Gulch property. The Company regained 100% ownership and control.

On June 18, 2007, the Company announced that recent ground-based geophysical work at the Dry Gulch project has defined a favourable structural setting similar to the known gold deposits within the Carlin trend. Permitting has been completed for a phase-one drill program

### **North Bullfrog Property, Nevada USA**

The North Bullfrog project in the southern portion of the Walker Lane Belt of south western Nevada was acquired in February, 2006. Additional private lands were acquired by the Company in May and June, 2006. The project is located approximately six miles north of the Bullfrog mining district which produced approximately three million ounces of gold.

The project represents a large low-sulfidation, volcanic-hosted epithermal gold system. Gold mineralization at the Bullfrog mine was associated with a fault system that occurs in a valley bottom and did not out crop. Wide spread low-grade gold mineralization above the valley floors is a strong indicator of the potential for the under explored recessive valley corridors within the project area to host high-grade vein systems. There has apparently been no exploration since 1996, and previous drilling programs encountered significant low-grade mineralization in the project area.

Preliminary analysis indicates that there is opportunity to both expand the low-grade mineralization and identify and expand high-grade veins through additional exploration. Compilation of previous work has identified high priority targets for follow-up.

During the fiscal year, minor rock sampling, geological mapping and data compilation was completed. All available data has been compiled and incorporated into a GIS database. Three high-potential drill targets have been selected and all necessary permits and bonds are in place.

The program and land tenure was funded (\$119,977) by Strategic Nevada Resources (formerly Strategic Merchant Bancorp Ltd.) under the terms of an option agreement (February 2006) whereby Strategic could earn up to a 65% interest in the North Bullfrog project.

In March, 2007, the Company optioned the North Bullfrog property to International Tower Hill Mines Ltd. Under the terms of the agreement to earn a 60% interest in the property, International Tower Hill must make total payments of \$190,000 USD, total expenditures of \$4,000,000 USD and 20,000 shares over a four year period. International Tower Hill will have the right to earn an additional 10% interest by completing a feasibility study. The Company will act as operator for the project.

The 2007 drill program at the North Bullfrog project commenced on April 23, 2007.

On June 11, 2007, the Company announced that the first-phase, five-hole core drilling program will test 3 key targets in the project area. The drilling will test high grade gold veins and areas of broad disseminated gold mineralization.

### **Eagle Basin Property, Nevada USA**

The Eagle Basin project consists of seventy-two unpatented mineral claims staked by the Company September, 2006 and is located in central Nevada. The project lies along a northerly-trending corridor encompassing, with few exceptions, the largest gold ( $\pm$ silver) deposits in Nevada ( $>>2$  million ounces gold). This corridor is believed by the Company to represent a major continental-scale crustal boundary along which mineralization has been focused. From south to north major gold systems/districts along this corridor include: Bullfrog, Goldfield, Tonopah, Manhattan, Round Mountain, Northumberland, Cortez-Pipeline, the Meikle-Goldstrike-Gold Quarry portion of the Carlin trend, and Jerritt Canyon. Eagle Basin lies between the Cortez-Pipeline and Northumberland portions of the corridor.

The extensive Eagle Basin alteration zone is known to cover at least 1.6 square miles (4.3 km<sup>2</sup>). Alteration consists of strong chalcedonic silicification and argillization with local quartz and chalcedony veins and disseminated sulfides. A series of northwest-trending silicified zones across a width of at least 3,300 feet occurs in the core of the system, with individual zones up to 500 feet in length and about 20 feet in width. Proprietary magnetic data indicates the Eagle Basin alteration system sits within a roughly circular feature about three miles in diameter. This feature is believed to be a caldera-like collapse feature caused by magmatic/volcanic activity. Samples collected to date indicate strongly anomalous trace elements consistent with a magmatic high-sulfidation epithermal gold system. Strongly-anomalous trace elements include arsenic, antimony, mercury and silver. Previous exploration has been limited to a single, shallow percussion drilling program in 1986-1987 by Dome Exploration. The strength and size of the alteration system, the trace-element signature and the limited drill testing present an opportunity for discovering a high-sulfidation type epithermal gold deposit or a porphyry-style Cu-Au-Mo deposit similar to the gold deposits in the Paradise Peak district in west-central Nevada (1.6 million ounces of gold produced, 1986-1994).

Minor mapping and sampling is planned to help define drill targets. Drilling is planned for the summer of 2007.

### **Painted Hills Property, Nevada USA**

The Painted Hills Project consists of fifty unpatented claims (1.6 square miles) staked by the Company in September, 2006 and is located in northwestern Nevada, 83 miles northwest of Winnemucca. The project has important geologic similarities to multi-million ounce, high-grade gold deposits of the northwestern Great Basin, notably the Sleeper (2.5 million ounces produced) and Midas (3.0 million ounces produced) deposits, and offers the potential for discovery of a new, high-grade gold vein system. The Sleeper deposit is about 50 miles to the southeast. The project lies along a regional northeast-trending fault that has localized gold mineralization at the Hog Ranch and Mountain View gold districts to the southwest, both similar in age and geologic setting to Sleeper and Midas.

Alteration and mineralization at Painted Hills are hosted in Middle Miocene volcanic rocks and are indicative of the shallow levels of an epithermal system similar to these other deposits. Mineralization and alteration exposed at Painted Hills include a mercury-bearing opal-chalcedony vein zone several hundred feet in width and strong kaolinite-opal alteration. Anomalous arsenic, antimony and gold are also present. All these features are consistent with the upper levels of an epithermal system. In these systems high-grade veins lie beneath the mercury-rich opaline alteration. This exploration model has been proven in several districts in Nevada, such as at Ivanhoe (Hollister) and Goldbanks. The Painted Hills veins and alteration are exposed along a range-front fault, and portions of the system may be concealed by the adjacent valley fill. This setting is very similar to the Sleeper deposit. There has been no previous gold-exploration drilling at Painted Hills.

In March, 2007, the Company optioned the Painted Hills property to International Tower Hill Mines Ltd. Under the terms of the agreement to earn a 60% interest in the property, International Tower Hill must make total payments of \$170,000 USD, total expenditures of \$2,500,000 USD and 20,000 shares over a four year period. International Tower Hill will have the right to earn an additional 10% interest by completing a feasibility study. The Company will act as operator for the project. A geophysical program commenced in April, 2007, after which an exploration drilling program will follow.

On June 11, 2007, the Company announced that the mineralized structure at the Painted Hills project has been extended to over 5,000 feet through the recent geophysical survey. A follow-up drill program is planned to test this previously undrilled epithermal gold system.

### **Richmond Summit Property, Nevada USA**

In February, 2006, the Company staked claims covering an area of gold mineralization on the central Carlin trend in Nevada.

The Richmond Summit project covers approximately two square miles and lies 4 miles northwest of the Mike deposit (8.5 M oz gold) in the Gold Quarry district and 5.5 miles south of the Carlin - West Leeville gold deposit (>10 M oz gold production plus reserves). Both mines are operated by Newmont Mining Corporation and the Richmond Summit project is surrounded by lands largely controlled by Newmont.

The Richmond Summit project is reported to contain several areas of sediment-hosted, Carlin-type gold mineralization with surface values to 0.125 opt Au. Lower-plate carbonate rocks, which host most of the gold mineralization along the Carlin trend, have been mapped in the project area, although the known gold mineralization reportedly occurs in upper-plate rocks. In addition to the exposed gold mineralization, other geologic features indicate that the project is prospective. Late Eocene intrusive rocks are exposed on the project and in surrounding areas; these intrusions are known to be genetically and spatially related to gold deposits along the Carlin trend. The project lies at the southern corner of the Lynn Window of lower-plate carbonate rocks; gold deposits of the Carlin trend commonly occur along the margins of these lower-plate carbonate windows. The project also occurs on the southern projection of the Post fault, a structure which localizes significant gold mineralization in the Goldstrike/Meikle area of the northern Carlin trend.

A drill program targeting lower plate rocks will be planned once all historical data has been compiled.

On June 18, 2007, the Company announced that recent surface sampling at the Richmond Summit project has confirmed near surface gold mineralization at two locations on the claim block. At the Main Zone the surface assays returned values to 1.74 ppm Au (0.051 opt) and in a second zone 400 metres from the Main Zone the surface assays returned values to 0.69 ppm Au (0.19 opt). These results are an indication of the possible widespread nature of the gold mineralization at the Richmond Summit project.

### **Root Spring Property, Nevada USA**

In June, 2006, the Company staked claims consisting of a block of 62 unpatented claims covering a mineralized quartz-vein system that can be traced for at least 1300 metres. Surface rock-chip values reach 8.40 g/t gold (0.248 ounces per ton, opt) accompanied by high silver values reaching 854 g/t (24.9 opt). The project lies about 50 miles south of the city of Winnemucca and 16 miles east of the world-class open-pit Rochester silver mine operated by Coeur d'Alene Mines Corporation.

Mineralization at Root Spring consists of northwest-trending low-angle quartz veins and quartz-vein stockworks hosted within a poorly-exposed section of volcanic rocks which may be equivalent to the host volcanic section at the Rochester mine. The gently west-dipping veins and host volcanics are adjacent to a Triassic granitic pluton and within a northwest-trending alluvial-filled valley corridor along a range front which may mark a major structural zone. The vein system is partly concealed by alluvium and is likely to extend significantly along strike beyond the limited vein exposures. Individual veins are up to 5 metres thick, with two parallel veins exposed, separated by about 90 metres. Larger veins are surrounded by poorly-exposed silicified rocks containing quartz-vein stockworks. The highest gold/silver grades occur within thick veins, but poorly exposed wallrocks also carry mineralization. Given the limited exposures, it is possible that additional massive veins exist in the system.

### **Liquidity**

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The financial statements are prepared on a 'going concern' basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2007 the Company had a working capital of \$1,674,022 and an accumulated deficit of \$8,422,057. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise additional funds or the attainment of profitable operations.

The Company also has the following share purchase warrants and incentive stock options as at the date hereof available for exercise:

### Warrants

| <b>Number of Shares</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|-------------------------|-----------------------|--------------------|
| <b>2007</b>             |                       |                    |
| 2,085,000               | \$0.25                | February 1, 2008*  |
| 6,621,875               | \$0.30                | May 31, 2009       |
| <b>8,706,875</b>        |                       |                    |

\* extended from February 1, 2007

In addition, the Company granted Agents Options to acquire 1,250,000 units exercisable at \$0.20 per unit. Each unit consists of one common share and one-half of one share purchase warrant exercisable at a price of \$0.30 per one whole warrant. The expiry date is May 31, 2009.

### Options

| <b>Options Outstanding</b> |                       |                    |
|----------------------------|-----------------------|--------------------|
| <b>Number of Shares</b>    | <b>Exercise Price</b> | <b>Expiry Date</b> |
| 680,000                    | \$ 0.12               | April 4, 2008      |
| 712,500                    | \$ 0.18               | September 11, 2008 |
| 1,370,000                  | \$ 0.10               | October 1, 2009    |
| 500,000                    | \$ 0.20               | February 25, 2010  |
| 905,000                    | \$ 0.18               | January 4, 2011    |
| 1,100,000                  | \$0.25                | May 4, 2012        |
| <b>5,267,500</b>           |                       |                    |

The Company has no long-term liabilities. Outstanding obligations include rent of an office premise, which is in the first year of a six-year lease ending March 31, 2013. The cost of the premises is shared primarily between the Company and four other companies. The Company's proportionate share of minimum annual rental payments under this arrangement is approximately \$36,000.

### Capital Resources

The Company's primary capital assets are mineral property assets. The company capitalizes all costs related to the mineral properties until the properties are abandoned and written-off.

All of the Company's mineral property agreements are non-binding.

(a) Newman Todd Property, Red Lake District, Ontario

The Company has acquired a 100% interest in 13 freehold mineral claims located in the Red Lake District of Ontario by issuing to the vendor 700,000 common shares of which 250,000 common shares were previously issued and 450,000 common shares were issued during the year ended March 31, 2007.

The property is subject to an underlying agreement that requires a cash payment to the original vendors of the property of \$20,000 due May 1, 2007 and advance royalty payments of \$5,000 annually commencing May 1, 2010 and 1.75% and 2% net smelter royalties.

The property is subject to a commitment to issue additional common shares as follows:

- (i) Common shares with a deemed value of \$1,000,000 if a mine is placed into production; and
- (ii) Common shares with a deemed value of \$1,000,000 if production from the property exceeds 250,000 ounces of gold plus bonus common shares with a deemed value of \$500,000.

The mineral claims are subject to an additional 1% net smelter royalty provided that the total net smelter royalties payable on any claims within the property do not exceed 2.75%.

(b) Nevada Exploration Partnership, Nevada

During the year ended March 31, 2005, the Company entered into a letter of agreement (as amended) with AngloGold Ashanti North America Inc. ("AngloGold") for the exclusive right to acquire a copy of AngloGold's Great Basin database. In order to obtain this right, the Company must spend US \$3,000,000 on exploration expenses on Nevada properties (Cdn \$961,791 spent to March 31, 2007) and issue to AngloGold 175,000 common shares (100,000 shares previously issued and 75,000 shares issued during the year ended March 31, 2007).

Once the Company has spent US \$750,000 on exploration expenses on a property, AngloGold has a one-time right to earn a 60% interest in that property by spending 200% of the expenditures incurred by the Company within three years after electing to back in.

The agreement is for a term of one-year and, with the consent of both parties and the Company issuing 175,000 common shares to AngloGold, can be renewed for a further one-year term. On April 6, 2006, the Company renewed the agreement for a one-year term to March 9, 2007 (175,000 common shares issued to AngloGold on August 11, 2006) and on February 12, 2007 renewed the agreement for a further one-year term to March 9, 2008 (175,000 common shares issued to AngloGold on February 7, 2007).

(c) Nevada Properties

As a result of the Nevada Exploration Partnership with AngloGold, the Company acquired three properties in Nevada.

- (i) Pine Nut Property, Douglas County, Nevada

During 2006, the Company entered into two mining leases and four exploration and option agreements as follows:

- (a) The Company entered into a mining lease for a term of 11 years. The advance minimum rent is as follows:
- Upon execution of the agreement - US \$20 per acre (paid);
  - On or before each of the first to fourth anniversary dates - US \$20 per acre (first anniversary payment paid July 7, 2006); and
  - On or before the fifth anniversary date and each anniversary date thereafter - US \$30 per acre.

Half of all minimum rent paid during the first through fifth years shall be credited against and fully recoupable from production royalty in five equal annual amounts over the five-year period beginning on the commencement of production royalty. Minimum rent shall be adjusted for inflation.

The mineral properties are subject to a 3% net smelter return royalty if the monthly average gold price is less than or equal to \$300 per ounce, and a 4% net smelter return royalty if the monthly average gold price is greater than \$300 per ounce. The Company retains the right to purchase back 1.5% of net smelter return royalty for US \$1,000,000.

- (b) The Company entered into a mining lease for a term of 10 years. The advance minimum rent, subject to an adjustment for inflation, is as follows:
- Upon execution of the agreement - US \$10,000 (paid);
  - Six months after execution of the agreement - US \$10,000 (paid);
  - On or before each of the first to fourth anniversary dates - US \$10,000 (first anniversary payment paid July 14, 2006); and
  - On or before the fifth anniversary date and each anniversary date thereafter - US \$10,000.

The mineral properties are subjected to a 2% net smelter return royalty.

- (c) Nevada Properties (Continued)
  - (i) Pine Nut Property, Douglas County, Nevada (Continued)
    - (c) Under the agreement, the Company has the right to explore the mineral property for a five-year period, and during the period it has the choice of either purchasing the property outright (subject to a 1% net smelter return royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter return royalty). For the right to explore, the Company must pay US \$6,200 (paid) and issue common shares having a value of US \$2,300 in year 1 (issued), US \$5,700 and issue common shares having a value of US \$2,300 at the time of issuance in year 2, and US \$4,500 in years 3, 4 and 5. To purchase the property, the Company must pay US \$150,000, subject to an inflation adjustment, and grant a 1% net smelter return royalty. To lease the property, the Company must make minimum advance royalty payments of US \$10,000 per year and grant a 2% net smelter return royalty.
    - (d) Under the agreement, the Company has the right to explore the mineral property for a five-year period, and during the period it has the choice of either purchasing the property outright (subject to a 1% net smelter return royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter return royalty). For the right to explore, the Company must pay US \$11,125 (paid) and issue common shares having a value of US \$2,000 in year 1 (issued), US \$10,625 and issue common shares having a value of US \$2,000 at the time of issuance in year 2, and US \$10,000 in years 3, 4 and 5. To purchase the property, the Company must pay US \$350,000, subject to an inflation adjustment, and grant a 1% net smelter return royalty. To lease the property, the Company must make minimum advance royalty payments of US \$20,000 per year and grant a 2% net smelter return royalty.
    - (e) Under the agreement, the Company has the right to explore the mineral property for a five-year period, and during the period it has the choice of either purchasing the property outright (subject to a 1% net smelter return royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter return royalty). For the right to explore, the Company must pay US \$6,200 in year 1 (paid), US \$5,700 in year 2, and US \$4,500 in years 3, 4 and 5. To purchase the property, the Company must pay US \$310,000, subject to an inflation adjustment, and grant a 1% net smelter return royalty. To lease the property, the Company must make minimum advance royalty payments of US \$10,000 per year and grant a 2% net smelter return royalty.

- (c) Nevada Properties (Continued)
  - (i) Pine Nut Property, Douglas County, Nevada (Continued)
    - (f) Under the agreement, the Company has the right to explore the mineral property for a five-year period, and during the period it has the choice of either purchasing the property outright (subject to a 1% net smelter return royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter return royalty). For the right to explore, the Company must pay US \$6,200 in year 1 (paid), US \$5,700 in year 2, and US \$4,500 in years 3, 4 and 5. To purchase the property, the Company must pay US \$150,000, subject to an inflation adjustment, and grant a 1% net smelter return royalty. To lease the property, the Company must make minimum advance royalty payments of US \$10,000 per year and grant a 2% net smelter return royalty.
    - (g) The Company also holds 53 staked claims on the Pine Nut Property.
  - (ii) Dry Gulch Property, Elko County, Nevada  
The Dry Gulch Property consists of 209 staked claims near Elko County, Nevada.
  - (iii) North Bullfrog Property, Nye County, Nevada
    - (a) During the year ended March 31, 2007, the Company entered into five mining leases to purchase a 100% interest in mineral claims. The Company will make cash payments and grant a production royalty of 2% to 4% of net smelter returns to each vendor. To maintain the leases, the Company must make minimum advance royalty payments of US \$32,300 per annum on each of the first three anniversaries and US \$37,700 per annum thereafter. The Company has the right at any time while the agreements are in effect to purchase the production royalty for US \$850,000 to US \$1,000,000 per 1% and may purchase the entire royalty.
    - (b) The Company also holds 161 staked claims on the North Bullfrog Property.

As a result of the Nevada Exploration Partnership with AngloGold, the Company acquired three additional properties in 2007.

- (iv) Eagle Basin Property, Lander County, Nevada  
The Eagle Basin Property consists of 72 staked claims near Lander County, Nevada.
- (v) Painted Hills Property, Humboldt County, Nevada  
The Painted Hills Property consists of 50 staked claims near Humboldt County, Nevada.

## (c) Nevada Properties (Continued)

## (vi) Richmond Summit Property, Eureka County, Nevada

The Richmond Hill Property consists of 72 staked claims near Eureka County, Nevada.

## (vii) Root Spring Property, Pershing County, Nevada

The Root Spring Property consists of 62 staked claims 50 miles south of the city of Winnemucca, Nevada.

## (d) Letter of Intent, North Bullfrog and Painted Hills Properties

In March 2007, the Company entered into a binding letter of intent ("LOI") with International Tower Hills Mines Ltd. ("ITH") to enter into a joint venture in the North Bullfrog and Painted Hills projects in Nevada. The terms of the LOI are as follows:

(i) ITH will have the right to earn up to a 70 % interest in the properties by making a series of payments and work commitments over four years.

(ii) Consideration for the North Bullfrog Property consists of cash payments totaling US \$190,000 and total expenditures of US \$4,000,000 over four years.

## (a) Cash payments are due as follows:

|  |                  |
|--|------------------|
| - On signing (received April 18, 2007) | US \$20,000;     |
| - On or before September 15, 2008      | US \$30,000;     |
| - On or before March 15, 2009          | US \$40,000;     |
| - On or before March 15, 2010          | US \$50,000; and |
| - On or before March 15, 2011          | US \$50,000.     |

## (a) Total cumulative expenditures to be incurred are as follows:

|                               |                 |
|-------------------------------|-----------------|
| - On or before March 15, 2008 | US \$500,000;   |
| - On or before March 15, 2009 | US \$1,000,000; |
| - On or before March 15, 2010 | US \$2,000,000; |
| and                           |                 |
| - On or before March 15, 2011 | US \$4,000,000. |

(iii) Consideration for the Painted Hills Property consists of total payments of US \$170,000 and total expenditures of US \$2,500,000 over four years.

## (a) Cash payments are due as follows:

|  |                  |
|--|------------------|
| - On signing (received April 18, 2007) | US \$20,000;     |
| - On or before September 15, 2008      | US \$20,000;     |
| - On or before March 15, 2009          | US \$30,000;     |
| - On or before March 15, 2010          | US \$50,000; and |
| - On or before March 15, 2011          | US \$50,000.     |

- (d) Letter of Intent, North Bullfrog and Painted Hills Properties (Continued)
- (b) Total cumulative expenditures to be incurred are as follows:
- |                               |                 |
|-------------------------------|-----------------|
| - On or before March 15, 2008 | US \$250,000;   |
| - On or before March 15, 2009 | US \$750,000;   |
| - On or before March 15, 2010 | US \$1,500,000; |
| and                           |                 |
| - On or before March 15, 2011 | US \$2,500,000. |
- (iv) ITH will provide the Company with 5,000 shares of its common stock on each anniversary the agreement is in place.
- (v) AngloGold maintains a one-time back-in right on the two projects to earn a 60% interest after the first US \$750,000 is spent.

### **Transactions with Related Parties**

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- (a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a director is a principal. The Company paid or accrued amounts payable to that contractor of \$73,943 (2006 - \$292,465) for exploration costs and \$58,374 (2006 - \$63,563) to reimburse office and administrative costs. These transactions were made in the normal course of operations for consideration at industry standard rates established and accepted by the related parties. As at June 30, 2007, the Company owed \$36,137 to that contractor.
- (b) Management fees of \$4,500 (2006 - \$4,500) and \$9,041 (2006 - \$7,700) for rental of shared office premises was paid to a company in which a director is a principal; as at June 30, 2007, the Company owed that company \$4,514 (2006 - \$8,133).
- (c) As at June 30, 2007, the Company owed \$2,146 (2006 - \$2,146) to a company with two directors in common.
- (d) Legal fees in the amount of \$nil (2006 - \$3,858) were paid to a firm in which an officer of the Company is a partner. As at June 30, 2007, the Company owed \$11,610 to that firm.

### **Risks and Uncertainties**

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The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish ore reserves.

The property interests owned by the Company, or in which it has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral exploration may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

On Behalf of the Board,  
**REDSTAR GOLD CORP.**

Scott Weekes,  
President