

REDSTAR GOLD CORP.
Management's Discussion & Analysis

FORM 51-102F1

**For the Period Ending
June 30, 2006**

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 unaudited and audited financial statements including the notes thereto for the periods ending June 30, 2006 and March 31, 2006, respectively.

The accompanying unaudited 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 29, 2006 ("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.

Overall Performance

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 period ending June 30, 2006 the company did not raise any funds.

Administrative expenses during the first quarter decreased by 4% to \$99,771 (\$103,942 in 2005). There was no stock based compensation in the first quarter of 2006 compared to \$27,982 in 2005. The increase in office expense, business promotion and salaries and benefits is directly attributable to increased operations in Nevada. Capitalized exploration costs for the period on all of the Company's properties increased by \$146,691, with \$136,804 spent on the Newman Todd property and \$9,887 on general Nevada exploration.

Summary of Quarterly Results

	Income (Loss) before discontinued operations	Net Income (Loss) per share	Revenue
	\$	\$	\$
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	-
June 30, 2005	(105,417)	0.00	-
March 31, 2005	(353,877)	(0.01)	-
December 31, 2004	(96,845)	0.00	-
September 30, 2004	(58,352)	0.00	51,864*

*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. For example in 2005, the Company completed a large staking and regional program in Nevada, which indirectly increased costs

associated with promotion, travel, and general expenses. The loss in the quarter ending March 31, 2006 and March 31, 2005 is significantly higher due to stock-based compensation expense associated with the granting of stock options.

Results of Operations

Pine Nut Property, Nevada USA

The Company announced the acquisition of the Pine Nut project in the Walker Lane Belt of north western Nevada 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.

The primary target at Pine Nut is high-grade gold bearing quartz veins similar to the Midas (+5,000,000 ounces) or Bullfrog (+3,000,000 ounces) deposits. Redstar believes there is significant potential to develop numerous high-grade ore shoots within the Pine Nut epithermal system. A program of detailed surface sampling, structural mapping and diamond drilling is planned. The quality of the AngloGold Ashanti database will allow the Company to progress to the drill ready stage very quickly.

Minor rock sampling, geological mapping and data compilation was completed by June 30, 2006. Subsequent to this period the Company initiated a seven hole, 1,500 metre diamond drill program. The program is designed to follow-up the high-grade mineralization intercepted by previous workers as well as test undrilled portions of the vein system.

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 year, minor rock sampling and mapping was completed on the project. Subsequent to this period a gravity survey was initiated on the project to help define potential ore controlling structures. A drill program is planned for the fall, 2006.

North Bullfrog Property, Nevada USA

The Company announced the acquisition of the North Bullfrog project in the southern portion of the Walker Lane Belt of south western Nevada 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. Redstar is compiling previous exploration data and expecting to undertake surface evaluations and a drilling program during the coming year.

Minor rock sampling, geological mapping and data compilation was completed by June 30, 2006. All available data has been compiled and incorporated into a GIS database. Drill targets are being evaluated in preparation for a fall drill program.

Newman Todd Property, Red Lake

In March, 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 Redstar 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 period ending June 30, 2006, 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, Redstar'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.

Liquidity

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, 2006 the Company had a working capital deficit of \$91,026 and an accumulated deficit of \$7,767,699. 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

Number of Shares	Exercise Price	Expiry Date
2006		
3,125,000	\$0.30	March 28, 2007
2,309,000	\$0.25	February 1, 2007
200,000	\$0.25	February 10, 2007
5,634,000		

Options

Options Outstanding		
Number of Shares	Exercise Price	Expiry Date
130,000	\$ 0.20	June 12, 2007
680,000	\$ 0.12	April 4, 2008
712,500	\$ 0.18	September 11, 2008
1,370,000	\$ 0.10	October 1, 2009
600,000	\$ 0.20	February 25, 2010
905,000	\$ 0.18	January 3, 2011
4,397,500		

The Company has no long-term liabilities. Outstanding obligations include rent of an office premise, which is in the second year of a six-year lease.

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.

Red Lake Properties

The Company renegotiated their letter option agreement to acquire a 51% interest in 51 mineral claims located in the Red Lake District of Ontario. To exercise the option the Company must make, in stages, cash payments of \$200,000, issue 250,000 common shares, and issue \$75,000 of common shares at market value to the optionor and incur \$1,100,000 in exploration expenditures on the property as follows:

- (i) Shares and cash payments
 - 250,000 common shares on regulatory approval and \$25,000 on or before February 28, 2005 (issued and paid)
 - \$25,000 worth common shares at market value and \$25,000 on or before February 28, 2006 (issued and paid)
 - \$25,000 worth common shares at market value and \$50,000 on or before February 28, 2007
 - \$25,000 worth common shares at market value and \$100,000 on or before February 28, 2008

- (ii) Work expenditures
 - \$200,000 on or before February 28, 2007
 - \$500,000 (aggregate) on or before February 28, 2008
 - \$1,100,000 (aggregate) on or before February 28, 2009

An additional 9% interest can be earned by incurring \$3,000,000 in exploration expenditures on the property on or before February 28, 2013.

Certain of the mineral claims are subject to a 2% net smelter return royalty.

As at March 31, 2006, the Company, as a result of inactivity during the year, has written down the carrying value of its interest to a nominal value of \$1.

Biron Bay Property

The Company signed a letter option agreement to acquire a 100% interest in 48 mineral claims located in Ball Township, Red Lake District of Ontario. To exercise the option the Company must make staged cash payments of \$50,000 and issue 100,000 common shares to the optionor as follows:

- 50,000 common shares within 5 days of and \$15,000 upon regulatory approval (issued and paid)
- 25,000 common shares (issued in 2004) and \$25,000 on or before May 14, 2004

- 25,000 common shares (issued in 2005) and \$10,000 on or before May 14, 2005
- 100,000 additional common shares if the mine is put into production.

The mineral claims are subject to a 1% net smelter royalty that may be purchased back for \$1,000,000.

As at March 31, 2006, the Company has not met all the terms of the option agreement and has written down the carrying value of its interest to a nominal value of \$1.

Newman Todd Property

The Company has signed an agreement with AngloGold Ashanti giving the Company the option to earn a 100% interest in all of AngloGold Ashanti's Red Lake properties. The properties consist of 26-patented claims and 13 staked claims in the West Red Lake area of northern Ontario and include the Newman Todd property where previous work has outlined 3 zones of gold mineralization.

Under the terms of the agreement, Redstar will issue 700,000 shares to AngloGold Ashanti over a three-year period (250,000 shares issued to date) as well as a retained royalty. In addition, Redstar will convey to AngloGold Ashanti \$1,000,000 worth of shares if a mine is put into production within the property. An additional \$1,000,000 worth of shares will be issued once production exceeds 250,000 ounces of gold.

Nevada Geological Database

The Company and AngloGold Ashanti North America Inc. ("AngloGold Ashanti") have signed a formal agreement outlining the terms of an exploration partnership to explore within the Great Basin (including Nevada and parts of all neighbouring states).

The initial agreement gave the Company exclusive rights to the AngloGold Ashanti database for a period of 18 months in exchange for 175,000 shares of the Company. The agreement has been extended for a period of a year in exchange for an additional 175,000 shares of the Company. AngloGold Ashanti will retain a back-in right on any property interest Redstar acquires in Nevada. Once Redstar has spent a total of \$750,000 on any particular project AngloGold Ashanti will have the one time right to back into the project for a 60% interest by spending \$1,500,000 within three years. The agreement is renewable on both parties consent for additional one-year terms. Once Redstar has spent \$3,000,000 on Great Basin exploration they will acquire a full copy of the database and the agreement will be terminated.

Pine Nut Property

In July, 2005 the Company staked 53 mineral claims (approximately 1000 acres) and have been granted an option on six parcels of prospective land (approximately 40 acres) located in Douglas county, Nevada, for a five-year period. During that period the company has the choice of either purchasing the property outright (subject to a 1-per-cent net smelter royalty) or leasing the property for a 10-year renewable term (subject to a 2-per-cent net smelter royalty). For the right to explore, the Company must pay \$6,200 US and issue 29,550 shares in year one (issued), \$5,700 US and shares having a value of \$2,300 (U.S.) at the time of issuance in year two, and \$4,500 US in years three, four and five. To purchase the property, the company must pay \$150,000 US (subject to an inflation adjustment) and grant a 1-per-cent NSR. To lease the

property, the company must make minimum advance royalty payments of \$10,000 (U.S.) per year and grant a 2-per-cent NSR.

In February, 2006, the Company optioned its Pine Nut Property in Nevada to Strategic Merchant Bancorp Ltd. giving Strategic the right to earn up to 70% of the Pine Nut project. To acquire a 60% interest in the Pine Nut project, Strategic must pay \$90,000 in cash, issue 450,000 shares and make expenditures of \$2,000,000 over four years. Strategic must spend an additional \$1,000,000 to earn an additional 10% interest. The Company will remain as operator during the life of this option agreement.

Dry Gulch Property

In October, 2005 the Company staked 210 mineral claims known as the Dry Gulch project. The Dry Gulch project is a large land package strategically located within the Carlin trend in central Nevada. Geophysics indicates favourable structures can be traced from known deposits to the project area and recent mapping has indicated the presence of favourable host rocks.

In January, 2006, the Company optioned its Dry Gulch Property in Nevada to Strategic Merchant Bancorp Ltd. giving Strategic the right to earn up to 70% of the Dry Gulch project. To acquire a 60% interest in the Dry Gulch project, Strategic must pay \$90,000 in cash, issue 450,000 shares and make expenditures of \$2,000,000 over four years. Strategic must spend an additional \$1,000,000 to earn an additional 10% interest. The Company will remain as operator during the life of this option agreement.

North Bullfrog Property

In February, 2006 the Company acquired through staking nearly five square miles of claims in the northern portion of the Bullfrog district in south western Nevada. The North Bullfrog project is a large land package six miles north of the past producing Bullfrog Mine. The project covers areas of wide spread, low grade gold mineralization in volcanic rocks as well as high grade quartz veins.

In May 2006, the Company entered into four mining leases to purchase 100% interest in mineral claims located in Nye County, Nevada. The Company will make cash payments and grant a 2% to 4% net smelter royalty to each vendor. 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.

In February, 2006, the Company optioned its North Bullfrog Property in Nevada to Strategic Merchant Bancorp Ltd. giving Strategic the right to earn 65% of the North Bullfrog project. To acquire a 65% interest in the North Bullfrog project, Strategic must pay \$125,000 in cash, issue 500,000 shares and make expenditures of \$2,800,000 over four years. The Company will remain as operator during the life of this option.

Transactions with Related Parties

- (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 \$292,465 (2005 - \$26,213) for exploration costs and \$63,563 (2005 - \$26,213) 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, 2006, the Company owed \$359,404 to that contractor.

- (b) Management fees of \$4,500 (2005 - \$4,500) and \$7,700 (2005 - \$7,802) for rental of shared office premises was paid to a company in which a director is a principal; as at June 30, 2006, the Company owed that company \$8,133.
- (c) As at June 30, 2006, the Company owed \$2,146 to a company with two directors in common.
- (d) Legal fees in the amount of \$3,858 (2005 - \$4,837) were paid to a firm in which an officer of the Company is a partner. As at June 30, 2006, the Company owed \$11,013 to that firm.

Changes in Accounting Policies and Initial Adoption

The Company follows the recommendations of the CICA Handbook Section 3870, *"Stock-Based Compensation and Other Stock-Based Payments"*, for accounting for stock-based compensation expense whereby all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2004, are accounted for using the fair value based method, and are recorded as an expense in the period the stock-based payments are vested or the awards or rights are granted, and a corresponding increase in option compensation. When stock options are exercised, the corresponding fair value previously recorded is transferred from option compensation to capital stock. When stock options are forfeited, cancelled or expired the corresponding fair value is transferred to contributed surplus.

Risks and Uncertainties

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.

Subsequent Events

In July, 2006 the Company initiated a seven hole, 1,500 metre diamond drill program on the Pine Nut property. The program is designed to follow-up the high grade mineralization intercepted by previous workers as well as test undrilled portions of the vein system.

Strategic Merchant Bank is currently earning up to a 70% interest in the project from Redstar by making cash payments of \$90,000, issuing 450,000 SMB shares and completing 3.0 million dollars of work expenditures over five years. Under the terms of the agreement Redstar will act as operator. Strategic also currently holds two additional Nevada projects under option from Redstar (Dry Gulch and North Bullfrog). Drill programs are planned for these two projects this fall.

On Behalf of the Board,
REDSTAR GOLD CORP.

Scott Weekes,
President