REDSTAR GOLD CORP.

Consolidated Financial Statements
March 31, 2006 and 2005

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Redstar Gold Corp. are the responsibility of the Company’s management. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management’s best current estimates.

Management has developed and maintains a system of internal control to ensure that the Company’s assets are protected from loss or improper use, transactions are authorized and properly recorded and financial records are reliable.

The Board of Directors carries out its responsibilities for these financial statements principally through its Audit Committee. The Audit Committee meets periodically with management and the auditors to review the consolidated financial statements and the results of audit examinations.

Smythe Ratcliffe, Chartered Accountants, have audited the consolidated financial statements and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

“J. Patrick Nicol” (signed)
………………………………………. Director
J. Patrick Nicol

June 30, 2006

Smythe Ratcliffe LLP

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CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF REDSTAR GOLD CORP.

We have audited the consolidated balance sheets of Redstar Gold Corp. as at March 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe" (signed)

Chartered Accountants

Vancouver, British Columbia
June 30, 2006

REDSTAR GOLD CORP.
Consolidated Balance Sheets
March 31

		2006		2005
Assets				
Current				
Cash	$	292,260	$	372,817
Accounts receivable		35,842		3,304
Prepaid expenses and advances		7,428		13,288
		335,530		389,409
Mineral Properties (note 3)		876,798		1,539,605
Equipment (note 4)		19,293		15,407
	$	1,231,621	$	1,944,421
Liabilities				
Current				
Accounts payable and accrued liabilities	$	26,101	$	41,863
Due to related parties (note 6)		221,542		113,681
		247,643		155,544
Shareholders' Equity				
Capital Stock (note 5)		8,202,519		7,084,270
Option Compensation (note 5(c))		383,897		265,262
Share Purchase Warrants (note 5(a))		24,280		14,500
Contributed Surplus (note 5(d))		86,306		71,806
Deficit		(7,713,024)		(5,646,961)
		983,978		1,788,877
	$	1,231,621	$	1,944,421

Nature of Operations and Going-Concern (note 1)
Commitments (note 10)
Subsequent Events (note 11)

Approved by the Board:

"J. Patrick Nicol"
………………………………………… Director
J. Patrick Nicol

"Douglas A. Fulcher"
………………………………………… Director
Douglas A. Fulcher

See notes to consolidated financial statements.

REDSTAR GOLD CORP.
Consolidated Statements of Operations and Deficit
Years Ended March 31

	2006	2005
Expenses		
Stock-based compensation	$ 127,423	$ 133,149
Business promotion	112,826	68,307
Salaries and benefits	87,060	62,930
Professional fees	48,874	49,535
Interest and financing	48,831	0
Consulting	43,000	14,000
Rent	33,689	34,477
Office and miscellaneous	18,137	20,440
Management fees	18,000	63,950
Regulatory fees	14,409	18,951
Transfer agent	9,593	7,435
Telephone	4,759	4,697
Investor relations	0	27,500
Amortization	5,613	4,639
Interest earned	(2,041)	(314)
Expense recoveries	(467)	(4,993)
	569,706	504,703
Other Expenses (Income)		
Mineral properties written down	1,494,440	123,088
General exploration	1,475	2,500
Foreign exchange	442	0
Option income	0	(85,709)
	1,496,357	39,879
Net Loss for Year	2,066,063	544,582
Deficit, Beginning of Year	5,646,961	5,102,379
Deficit, End of Year	$ 7,713,024	$ 5,646,961
Loss Per Share	$ (0.07)	$ (0.03)
Weighted Average Number of Common Shares Outstanding	28,122,543	20,934,238

See notes to consolidated financial statements.

REDSTAR GOLD CORP.
Consolidated Statements of Cash Flows
Years ended March 31

	2006	2005
Operating Activities		
Net loss	$ (2,066,063)	$ (544,582)
Items not involving cash		
Amortization	5,613	4,639
Shares and warrants issued for finance costs	44,280	0
Stock-based compensation	127,423	133,149
Mineral properties written down	1,494,440	123,088
Operating Cash Flow	(394,307)	(283,706)
Changes in Non-Cash Working Capital		
Accounts receivable	(32,538)	31,938
Prepaid expenses and advances	5,860	18,826
Accounts payable and accrued liabilities	(15,762)	(7,202)
Due to related parties	347,861	77,513
	305,421	121,075
Cash Used in Operating Activities	(88,886)	(162,631)
Investing Activities		
Mineral property exploration and development expenditures	(450,758)	(164,877)
Mineral property acquisition costs	(246,784)	(53,074)
Equipment	(9,499)	(5,661)
Cash Used in Investing Activities	(707,041)	(223,612)
Financing Activities		
Private loan, net of repayment	60,000	0
Issuance of capital stock for cash	655,370	712,843
Cash Provided by Financing Activities	715,370	712,843
Increase (Decrease) in Cash	(80,557)	326,600
Cash, Beginning of Year	372,817	46,217
Cash, End of Year	$ 292,260	$ 372,817

Supplemental Disclosure with Respect to Cash Flows (note 9)

1. NATURE OF OPERATIONS AND GOING-CONCERN

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following policies.

(a) Basis of presentation

The consolidated financial statements as at March 31, 2006 and 2005 include the accounts of the Company and its wholly-owned integrated subsidiary, Redstar Gold USA Inc. All intercompany balances and transactions have been eliminated.

(b) Mineral properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

(c) Equipment

Equipment is recorded at cost and is amortized using a declining-balance method, at an annual rate of 20% for office equipment and 30% for computer equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Capital stock

Capital stock issued for non-monetary consideration is recorded at fair market value on the dates of issuance pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the TSX Venture Exchange.

The proceeds from shares issued under flow-through share financing agreements are credited to capital stock and the tax benefits of the exploration expenditures incurred under these agreements are transferred to the purchaser of the shares. Costs incurred for the issue of shares are deducted from capital stock.

(e) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year using the treasury stock method for calculating diluted earnings per share. However, diluted loss per share has not been presented as the exercise of options would reduce the calculated loss per share.

(f) Foreign currency translation

The accounts of the Company's foreign operations have been translated into Canadian dollars. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; revenues and expenses and exploration and development items, at the average rate of exchange for the period. Gains and losses arising from this translation of foreign currency are included in net loss.

(g) Financial instruments

The carrying values of current assets and current liabilities approximate their fair values due to the relative short periods to maturity of these instruments. Management believes that the Company is not exposed to significant interest or credit risk.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those reported.

(i) Asset retirement obligations

The Company has adopted the Canadian Institute of Chartered Accountants (“CICA”) Section 3110, *“Asset Retirement Obligations”*. This statement establishes standards for accounting for the recognition and measurement of liabilities for obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operations of the assets. As at March 31, 2006, the Company did not have any asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Stock-based compensation

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.

(k) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

3. MINERAL PROPERTIES

Expenditures made on mineral properties by the Company during the years were as follows:

2006	**Red Lake** West Red Lake	Biron Bay	Newman Todd	**Nevada** Nevada General	Pine Nut	Dry Gulch	North Bullfrog	Total
Acquisition costs	$ 0	$ 0	$170,566	$ 0	$ 105,117	$ 83,287	$ 21,905	$ 380,875
Deferred exploration expenditures								
Assay	0	0	16,702	1,244	3,501	1,385	2,571	25,403
Consultants - geology	0	0	14,493	2,489	14,405	26,147	13,810	71,344
Contract labour	0	0	23,338	18,770	403	712	1,040	44,263
Camp and exploration support	0	0	(36)	6,021	354	126	1,279	7,744
Drilling	0	0	255,346	0	0	0	0	255,346
Land and tenure	1,639	0	2,624	0	0	0	0	4,262
Travel and accommodation	0	0	9,915	11,654	5,086	6,410	4,493	37,558
Equipment rental	0	0	4,837	0	0	0	0	4,838
	1,639	0	327,219	40,178	23,749	34,780	23,193	450,758
Balance, beginning of year	1,454,640	38,163	0	39,999	6,803	0	0	1,539,605
Less: Mineral properties written down	(1,456,278)	(38,162)	0	0	0	0	0	(1,494,440)
Balance, end of year	$ 1	$ 1	$497,785	$ 80,177	$ 135,669	$ 118,067	$ 45,098	$ 876,798

2005	**Red Lake** West Red Lake	Biron Bay	Newman Todd	**Nevada** Nevada Property	**Thunder Bay** Atikokan Property	Total
Acquisition costs	$ 44,500	$ 2,000	$ 0	$ 18,304	$ 34,270	$ 99,074
Deferred exploration expenditures						
Assay	1,747	0	0	0	10,750	12,497
Consultants - geology	5,153	0	0	0	5,127	10,280
Contract labour	22,100	0	0	12,850	37,750	72,700
Camp and exploration support	3,132	0	0	8,874	3,632	15,638
Land and tenure	0	3,037	0	0	0	3,037
Travel and accommodation	204	0	0	6,774	29,097	36,075
Equipment rental	14,650	0	0	0	0	14,650
	46,986	3,037	0	28,498	86,356	164,877
Balance, beginning of year	1,363,154	33,126	2,462	0	0	1,398,742
Less: Mineral properties written off	0	0	(2,462)	0	(120,626)	(123,088)
Balance, end of year	$ 1,454,640	$ 38,163	$ 0	$ 46,802	$ 0	$1,539,605

In 2005, the Nevada properties were included as a single property under Nevada Property. In 2006, the Company acquired three properties in Nevada; therefore, the Nevada Properties have been separated into Nevada General, Pine Nut, Dry Gulch and North Bullfrog.

In 2004, the West Red Lake and Biron Bay properties were included as a single property under West Red Lake. In 2005, these two properties have been separated.

3. MINERAL PROPERTIES (Continued)

(a) West Red Lake Properties, Red Lake District, Ontario

The Company signed a letter option agreement (as amended), to acquire a 51% interest in 51 mineral claims located in the Red Lake District of Ontario. The Company has made cash payments of $195,000, issued 525,000 common shares and incurred approximately $1,450,000 in exploration expenditures on the property in respect of the original agreement. To exercise the option, the Company must make, in stages, further cash payments of $200,000, issue a further 250,000 common shares and issue additional shares with a market value of $75,000 to the optionor and incur $1,100,000 in exploration expenditures on the property as follows (pursuant to the amended agreement as detailed below):

(i) Shares and cash payments

During the year ended March 31, 2005, an amended agreement revised the additional shares and cash payments as follows:

- 250,000 common shares and $25,000 upon regulatory approval (issued and paid);
- Common shares with a value of $25,000 and $25,000 cash on or before February 28, 2006 (issued and paid);
- Common shares with a value of $25,000 and $50,000 cash on or before February 28, 2007; and
- Common shares with a value of $25,000 and $100,000 cash on or before February 28, 2008.

(ii) Work expenditures

- $200,000 on or before February 28, 2007;
- $500,000 in aggregate on or before February 28, 2008; and
- $1,100,000 in aggregate on or before February 28, 2009.

As at March 31, 2006, the Company, as a result of inactivity during the year, has written down the carrying value of its interest by $1,456,278 to a nominal value of $1.

(b) Biron Bay Properties, Red Lake District, Ontario

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 five 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 and $10,000 on or before May 14, 2005; and
- 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 for $1,000,000.

The Company has not met all the terms of the option agreement and has written down the carrying value of its interest by $38,162 to a nominal value of $1.

3. MINERAL PROPERTIES (Continued)

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

The Company signed an agreement to purchase a 100% interest in 13 freehold mineral claims located in the Red Lake District of Ontario. To acquire the interest, the Company paid $25,000, issued 50,000 common shares at a deemed value of $10,000 and issued 100,000 share purchase warrants that were assigned a fair value of $14,500. The agreement was terminated during the year ended March 31, 2005 and $2,462 of deferred exploration costs were written off.

The Company had granted an option on the Newman Todd Property to permit the optionee to acquire a 60% interest in the property by incurring up to US $750,000 in exploration expenditures and cash payments to the Company of up to US $215,000, in stages, to June 2, 2007. During the year ended March 31, 2005, the agreement was terminated after the Company had received option payments of $85,709 (US $65,000).

On January 21, 2005, the Company entered into a new option agreement to acquire a 100% interest in the Newman Todd Property. To exercise the option, the Company must issue shares as follows:

- 100,000 common shares within five days of regulatory approval (March 18, 2005) (issued);
- 150,000 common shares on or before March 18, 2006 (issued);
- 200,000 common shares on or before March 18, 2007; and
- 250,000 common shares on or before March 18, 2008.

The property is subject to an underlying agreement that requires cash payments to the original vendors of the property and 1.75% and 2% net smelter royalties.

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%.

(d) 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 $3,000,000 on exploration expenses on Nevada properties ($379,011 spent as of March 31, 2006) and issue to AngloGold 175,000 common shares (100,000 shares issued and 75,000 shares issued subsequent to March 31, 2006).

Once the Company has spent $750,000 on exploration expenses, 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 expired in March 2006 but can be renewed on a yearly basis with the consent of both parties. The Company will issue 175,000 shares to AngloGold for each year that it is renewed. On April 6, 2006, the Company entered into an agreement with AngloGold to extend the term of the Nevada Exploration Partnership agreement to March 9, 2007. The consideration of 175,000 shares for the extension of the agreement was issued subsequent to March 31, 2006.

3. MINERAL PROPERTIES (Continued)

(e) Nevada Properties

As a result of the Nevada Exploration Partnership with AngloGold, the Company acquired three properties in Nevada during 2006 (note 11).

(i) Pine Nut Property, Douglas County, Nevada

The Company entered into two mining leases and four exploration and option agreements to explore approximately 1,120 acres of land for the Pine Nut Property as follow:

(a) Mining lease – Township 12 North, Range 21 East MDB&M Sections 6, 25 and 26 and Range 22 East MDB&M Sections 30 and 31

The Company has entered into a mining lease for approximately 880 acres of land in Douglas County for a term of 11 years. The advance minimum rent is set out as follow:

- 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; 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 if the monthly average gold price is less than or equal to $300 per ounce, and 4% net smelter return if the monthly average gold price is over $300 per ounce. The Company retains the right to purchase back 1.5% of net smelter return for US $1,000,000.

(b) Mining lease – Township 11 North, Range 21 East MDB&M Section 1

The Company has entered into a mining lease for approximately 80 acres of land in Douglas County for a term of 10 years. The advance minimum rent is set out as follow:

- Upon execution of the agreement - US $10,000 (paid);
- Six months after execution of the agreement - US $10,000;
- On or before each of the first to fourth anniversary dates - US $10,000; and
- On or before the fifth anniversary date and each anniversary date thereafter - US $10,000.

Minimum rent shall be adjusted for inflation.

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

3. MINERAL PROPERTIES (Continued)

(e) Nevada Properties (Continued)

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

(c) Exploration and option agreement – Township 11 North, Range 21 NW4NE4 Section 1

Under the agreement, the Company has the right to explore the 40-acre 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 royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter royalty). For the right to explore, the Company has to pay US $6,200 (paid) and issue shares having a value of US $2,300 in year 1 (issued), US $5,700 and issue 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 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 royalty.

(d) Exploration and option agreement – Township 11 North, Range 21 S2NW4 and SW4NE4 of Section 1

Under the agreement, the Company has the right to explore the 120-acre 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 royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter royalty). For the right to explore, the Company has to pay US $11,125 (paid) and issue shares having a value of US $2,000 in year 1 (issued), US $10,625 and issue 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 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 royalty.

(e) Exploration and option agreement – Township 11 North, Range 21 NE4SE4 of Section 1

Under the agreement, the Company has the right to explore the 40-acre 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 royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter royalty). For the right to explore, the Company has to 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 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 royalty.

3. MINERAL PROPERTIES (Continued)

(e) Nevada Properties (Continued)

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

(f) Exploration and option agreement – Township 11 North, Range 21

Under the agreement, the Company has the right to explore the 40-acre 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 royalty) or leasing it for a 10-year renewable term (subject to a 2% net smelter royalty). For the right to explore, the Company has to 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 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 royalty.

(ii) Dry Gulch Property, Elko County, Nevada

The Dry Gulch Property consists of 209 claims covering approximately 3,720 acres near Elko County, Nevada. The Dry Gulch property was acquired by staking.

(iii) North Bullfrog Property, Nye County, Nevada

The North Bullfrog Property consists of 149 claims covering approximately 3,010 acres near Nye County, Nevada. The Dry Gulch property was acquired by staking.

(f) Atikokan Property, Thunder Bay, Ontario

During the year ended March 31, 2005, the Company signed a letter of agreement to acquire a 100% interest in 11 mineral claims located in the Thunder Bay Mining Division of Ontario.

The Company has abandoned the property and $120,626 in acquisition and exploration expenditures was written off in 2005.

(g) Title to mineral property interests

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 defect.

3. MINERAL PROPERTIES (Continued)

(h) Realization of assets

The investment in and expenditures of resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and possible aboriginal claims, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(i) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

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.

4. EQUIPMENT

Equipment is comprised of office furniture and computer equipment and is recorded at cost net of accumulated amortization of $25,235 (2005 - $19,622).

5. CAPITAL STOCK

Authorized
100,000,000 common shares without par value

Issued

	Number of Shares	Amount
Balance, March 31, 2004	19,022,921	$ 6,100,427
Private placements for cash, net	5,570,000	709,348
Exercise of share purchase warrants for cash	23,300	3,495
Issue of shares for debt	1,500,000	225,000
Mineral properties	425,000	46,000
	7,518,300	983,843
Balance, March 31, 2005	26,541,221	7,084,270
Private placement for cash, net of issuance costs	4,170,000	598,620
Exercise of share purchase warrants for cash	175,000	43,750
Exercise of stock options for cash	130,000	13,000
Issue of shares for debt	2,000,000	300,000
Bonus shares	200,000	20,000
Mineral properties	554,752	134,091
Fair value of stock options exercised	0	8,788
	7,229,752	1,118,249
Balance, March 31, 2006	33,770,973	$ 8,202,519

During the year ended March 31, 2006, the Company completed a private placement for 4,170,000 units at $0.15 per unit, each unit consisting of one common share and one-half of one purchase warrant exercisable at $0.25 for one year. In relation to this private placement, 224,000 agent's warrants with the same terms as the private placement were also issued and finders fees and finance charges of $26,880 were paid.

During the year ended March 31, 2006, the Company arranged a private loan for a total of $100,000. The Company agreed to pay bonus shares of 200,000 at a value of $20,000 as consideration for the loan. The loan had a term of one year bearing interest at a rate of 12% per annum, compounded monthly, resulting in an interest expense of $24,551 including the value of $20,000 for the bonus shares issued. The loan was repaid during the year as to $40,000 cash, 400,000 shares with a value of $60,000 and 200,000 share purchase warrants exercisable at $0.25 on or before February 10, 2007. The share purchase warrants have been ascribed a fair value of $24,280 calculated using the Black-Scholes option pricing model.

During the year ended March 31, 2006, the Company issued 1,600,000 common shares valued at $240,000 in settlement of debt with a related party (note 6(c)).

During the year ended March 31, 2005, the Company completed a private placement for 2,530,000 units at $0.10 per unit, each unit consisting of one common share and one-half of one share purchase warrant exercisable at $0.15 for one year. A finance fee of 40,000 units was issued, which had the same terms as the private placement. In relation to this private placement, 160,000 agent's warrants and 346,000 finders fee warrants, both exercisable at $0.15 for one year, were also issued and broker's commissions and fees of $24,641 were paid.

5. CAPITAL STOCK (Continued)

During the year ended March 31, 2005, the Company completed a second private placement for 3,000,000 units at $0.175 per unit, each unit consisting of one common share and one purchase warrant exercisable at $0.25 in the first year and $0.30 in the second year. In relation to this private placement, 300,000 agent's warrants with the same terms as the private placement were also issued and finders fees and finance charges of $44,000 were paid.

(a) Share purchase warrants

The following summarizes information about the share purchase warrants:

	2006	2005
Balance, beginning of year	$ 14,500	$ 14,500
Expiry of share purchase warrants	(14,500)	0
Issuance of share purchase warrants	24,280	0
Balance, end of year	$ 24,280	$ 14,500

A summary of the changes in the Company's share purchase warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2004	13,184,912	$ 0.19
Issued	5,091,000	$ 0.23
Exercised	(23,300)	$ 0.15
Forfeited/Expired	(13,184,912)	$ 0.19
Balance, March 31, 2005	5,067,700	$ 0.23
Issued	2,509,000	$ 0.25
Exercised	(175,000)	$ 0.25
Forfeited/Expired	(1,767,700)	$ 0.15
Balance, March 31, 2006	5,634,000	$ 0.26

The Company has outstanding share purchase warrants, which entitle the holders to purchase common shares as follows:

Number of Shares			
2006	2005	Exercise Price	Expiry Date
0	1,767,700	$0.15	July 28, 2005
3,125,000	3,300,000	$ 0.25 and $ 0.30	March 28, 2007
2,309,000	0	$0.25	February 1, 2007
200,000	0	$0.25	February 10, 2007
5,634,000	5,067,700		

5. CAPITAL STOCK (Continued)

(b) Stock options

As at March 31, 2006, the Company had stock options outstanding to directors, employees and consultants for the purchase of up to 4,397,500 common shares exercisable as follows:

Options Outstanding			Options Exercisable	
Number of Shares	Exercise Price	Expiry Date	Number of Shares	Exercise Price
130,000	$ 0.20	June 12, 2007	130,000	$ 0.20
680,000	$ 0.12	April 4, 2008	680,000	$ 0.12
712,500	$ 0.18	September 11, 2008	712,500	$ 0.18
1,370,000	$ 0.10	October 1, 2009	1,125,000	$ 0.10
600,000	$ 0.20	February 25, 2010	450,000	$ 0.20
905,000	$ 0.18	January 3, 2011	452,500	$ 0.18
4,397,500			3,550,000	

A summary of the status of the Company's stock options as at March 31, 2006 and 2005 and changes during the years then ended is as follows:

	2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,622,500	$ 0.14	1,663,334	$ 0.19
Granted	905,000	$ 0.18	2,100,000	$ 0.13
Exercised	(130,000)	$ 0.10	0	$ 0.00
Cancelled / expired / forfeited	0	$ 0.00	(140,834)	$ 0.20
Outstanding at end of year	4,397,500	$ 0.15	3,622,500	$ 0.14

(c) Stock-based compensation

During the year ended December 31, 2005, the Company granted stock options to acquire up to an aggregate of 905,000 common shares at exercise prices of $0.18.

The following summarizes information about the fair value of option compensation:

	2006	2005
Balance, beginning of year	$ 265,262	$ 132,113
Stock-based compensation	127,423	133,149
Exercise of options	(8,788)	0
Balance, end of year	$ 383,897	$ 265,262

5. CAPITAL STOCK (Continued)

(c) Stock-based compensation (Continued)

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions at March 31, 2006 and 2005:

	2006	2005
Risk-free interest rate	3.79% - 3.99%	2.88%
Expected dividend yield	0	0
Expected stock price volatility	127.22% - 184.16%	193.54%
Expected option life in years	1 - 5	5

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Contributed surplus

	2006	2005
Balance, beginning of year	$ 71,806	$ 71,806
Expiry of share purchase warrants	14,500	0
Balance, end of year	$ 86,306	$ 71,806

6. RELATED PARTY TRANSACTIONS

(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 $554,491 (2005 - $161,551) for exploration costs and $193,072 (2005 - $176,115) 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 March 31, 2006, the Company owed $212,969 to that contractor.

(b) Management fees of $18,000 (2005 - $26,000) and $30,213 (2005 - $27,187) for rental of shared office premises was paid to a company in which a director is a principal; as at March 31, 2006, the Company owed that company $nil.

(c) During the year, the Company issued 1,600,000 common shares to settle debts of $240,000 with companies in which a director is a principal.

(d) As at March 31, 2006, the Company owed $2,146 to a company with two directors in common.

(e) Legal fees in the amount of $27,578 (2005 - $31,052) were paid to a firm in which an officer of the Company is a partner. As at March 31, 2006, the Company owed $6,427 to that firm.

7. INCOME TAXES

The Company has accumulated losses for tax purposes of approximately $1,576,000 that expire as follows:

2007	$	189,000
2008		290,000
2009		113,000
2010		200,000
2014		252,000
2015		178,000
2016		354,000
	$	1,576,000

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2006		2005
		34.50%		35.62%
Income tax benefit computed at Canadian statutory rates	$	712,792	$	63,582
Temporary differences not recognized in year		(517,173)		(46,565)
Stock-based compensation		(43,961)		(47,428)
Far value of share purchase warrants		(8,377)		0
Permanent differences not recognized		(27,654)		(36,050)
Unrecognized tax losses		(115,627)		66,461
	$	0	$	0

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rate of 34.5%, are as follows:

		2006		2005
Future income tax assets				
Temporary differences in assets	$	916,954	$	412,403
Net tax losses carried forward		543,879		488,630
		1,460,833		901,033
Valuation allowance for future income tax assets		(1,460,833)		(901,033)
Future income tax assets, net	$	0	$	0

8. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada and the United States of America.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following non-cash transactions occurred:

(a) During the year ended March 31, 2006, the Company issued 554,752 (2005 - 425,000) common shares valued at $134,091 (2005 - $46,000) for mineral property interests.

(b) During the year ended March 31, 2006, the Company issued 2,000,000 common shares in settlement of $300,000 in outstanding debts.

(c) During the year ended March 31, 2006, the Company issued bonus shares of 200,000 valued at $20,000 in consideration of a private loan. 200,000 share purchase warrants with an ascribed fair value of $24,280 were issued in settlement of the loan (note 5).

(d) Interest paid during the year amounted to $5,218 (2005 - $nil).

10. COMMITMENTS

During 2003, the Company entered into a lease agreement for the rental of office premises for a six-year period, expiring October 31, 2009. During 2005, the Company entered into another lease agreement to rent extra space. The cost of the entire premises is shared primarily between the Company and two companies related by a common director. The Company's proportionate share of minimum annual rental payments under this arrangement is approximately $33,000.

11. SUBSEQUENT EVENTS

In April 2006, the TSX Venture Exchange approved three option agreements that the Company entered into with Strategic Merchant Bancorp Ltd. ("SMB"), a company with two directors in common. SMB can exercise the options to earn 70% interest in the Pine Nut Property, 70% in the Dry Gulch Property and 65% interest in the North Bullfrog Property (note 3(e)).

(a) Under the letter agreement to option Pine Nut Property, SMB will allot and issue 450,000 common shares, make cash payments totaling $90,000, and spend a total of $2,000,000 in exploration expenditures to earn a 60% interest. Once SMB has completed the first option, it has 60 days to elect to earn an additional 10% interest by spending an additional $1,000,000 within 12 months.

(b) Under the letter agreement to option the Dry Gulch Property, SMB will allot and issue 450,000 common shares, make cash payments totaling $90,000, and spend a total of $2,400,000 in exploration expenditures to earn a 60% interest. Once SMB has completed the first option, it has 60 days to elect to earn an additional 10% interest by spending an additional $1,000,000 within 12 months.

(c) Under the letter agreement to option the North Bullfrog Property, SMB will allot and issue 500,000 common shares, make cash payments totaling $125,000, and spend a total of $2,800,000 in exploration expenditures to earn a 65% interest.

(d) SMB will be responsible for all costs including underlying property payments to maintain the properties in good standing.

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.

REDSTAR GOLD CORP.

Management's Discussion & Analysis

FORM 51-102F1

For the Period Ending
March 31, 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 audited financial statements including the notes thereto for the periods ending March 31, 2006 and March 31, 2005, 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 July 28, 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 year ended March 31, 2006, the Company completed a private placement for 4,170,000 units at $0.15 per unit, each unit consisting of one common share and one-half of one purchase warrant exercisable at $0.25 for one year. In relation to this private placement, 224,000 agent's warrants with the same terms as the private placement were also issued and finders fees and finance charges of $26,880 were paid. The funds will be used for additional mineral property exploration in Red Lake and acquisitions in Nevada.

During the year ended March 31, 2006, the Company arranged a private loan for a total of $100,000. The Company agreed to pay bonus shares of 200,000 at a value of $20,000 as consideration for the loan. The loan had a term of one year bearing interest at a rate of 12% per annum, compounded monthly, resulting in an interest expense of $24,551 including the value of $20,000 for the bonus shares issued. The loan was repaid during the year as to $40,000 cash, 400,000 shares with a value of $60,000 and 200,000 share purchase warrants exercisable at $0.25 on or before February 10, 2007. The share purchase warrants have been ascribed a fair market value of $24,280.

During the year ended March 31, 2006, the Company issued 1,600,000 common shares valued at $240,000 in settlement of debt with a related party.

Administrative expenses during the fiscal year increased approximately 13% to $569,706 ($504,703 in 2004). Most of the increase resulted from higher costs relating to business promotion & travel and salaries due to the Company's expansion of operations in Nevada. Management fees have reduced to $18,000 from $63,950 over the same period as the Company has taken more direct control of its exploration activities in Nevada and Red Lake. Stock based compensation, a non-cash charge, decreased to $127,423 in the year ($133,149 in 2004).

Capitalized exploration costs for the period on all of the Company's properties increased to $450,758 with $121,900 spent on the Nevada properties and $328,858 spent on the Red Lake properties.

Summary of Quarterly Results

	Income (Loss) before discontinued operations $	Net Income (Loss) per share $	Revenue $
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*
June 30, 2004	(82,300)	(0.01)	31,383*

*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. 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 meters north-south by 300 meters east-west. Quartz stringer zones up to 30 meters wide have been mapped with individual veins up to 3.0 meters wide. Previous, wide spaced reverse circulation drilling, intersected gold values up to 11.5 g/t over 1.52 meters within quartz veins. Surface sampling identified numerous gold values over 10 g/t with the best value being 37.7g/t over 3.0 meters.

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 March 31, 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 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. 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 March 31, 2006. Subsequent to this period the Company acquired additional private land within the project area. The private lands cover areas of historic workings on high grade vein systems and represent a high priority target within the North Bullfrog land package.

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 and were highlighted by 3.05 feet grading 2.0 opt gold (69.02 g/t over 1.0 meters) within a 9.14 foot zone grading 0.73 opt gold (24.89 g/t over 3.0 meters) (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

Subsequent to the period ending March 31, 2005, 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 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. The 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 holes was drilled over 850 metres northeast of the high grade mineralization intersected in 2005.

Additional drilling in the area of 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. 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 March 31, 2006 the Company had a working capital of $87,887 and an accumulated deficit of $7,713,024. 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 2006	2005	Exercise Price	Expiry Date
0	1,767,700	$0.15	July 28, 2005
3,125,000	3,300,000	$ 0.25 and $ 0.30	March 28, 2007
2,309,000	0	$0.25	February 1, 2007
200,000	0	$0.25	February 10, 2007
5,634,000	5,067,700		

Options

Options Outstanding: Number of Shares	Options Outstanding: Exercise Price	Expiry Date	Options Exercisable: Number of Shares	Options Exercisable: Exercise Price
130,000	$ 0.20	June 12, 2007	130,000	$ 0.20
680,000	$ 0.12	April 4, 2008	680,000	$ 0.12
712,500	$ 0.18	September 11, 2008	712,500	$ 0.18
1,370,000	$ 0.10	October 1, 2009	1,125,000	$ 0.10
600,000	$ 0.20	February 25, 2010	450,000	$ 0.20
905,000	$ 0.18	January 3, 2011	452,500	$ 0.18
4,397,500			3,550,000	

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

Subject to regulatory approval, 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
- $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.

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.

The Company has defaulted on some of the payments but is in the progress of negotiating a new agreement.

Newman Todd Property

The Company has signed a letter 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 letter agreement outlining the terms of an exploration partnership to explore within Nevada. The terms are subject to the completion of a formal agreement.

The agreement will give the Company exclusive rights to the AngloGold Ashanti database for a period of 18 months in exchange for 100,000 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 $2,000,000 on Nevada exploration they will acquire a full copy of the database and the agreement will be terminated.

Pine Nut Property

In July, 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, 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 Springs

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 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 $554,491 (2005 - $161,551) for exploration costs and $193,072 (2005 - $176,115) to reimburse office and administrative costs. These transactions were made in the normal course of operations for consideration at industry standard rate established and accepted by the related parties. As at March 31, 2006, the Company owed $212,969 to that contractor.

(b) Management fees of $18,000 (2005 - $26,000) and $30,213 (2005 - $27,187) for rental of shared office premises was paid to a company in which a director is a principal; as at March 31, 2006, the Company owed that company $nil.

(c) During the year, the Company issued 1,600,000 common shares to settle debts of $240,000 with companies in which a director is a principal.

(d) As at March 31, 2006, the Company owed $2,146 to a company with two directors in common.

(e) Legal fees in the amount of $27,578 (2005 - $31,052) were paid to a firm in which an officer of the Company is a partner. As at March 31, 2006, the Company owed $6,427 to that firm.

Changes in Accounting Policies and Initial Adoption

Effective April 1, 2003, the Company adopted CICA 3870 "Stock-Based Compensation and Other Stock-Based Payments" for accounting for stock-based compensation expense. Under this standard, stock-based payments to non-employees and employee awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by issuance of equity instruments, granted on or after April 1, 2003, are accounted for using the fair value based method and are recorded as an expense in the period the stock-based payment are vested or the awards or rights are granted.

During 2003, the CICA released amendments to Section 3870, which require an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options, commencing on January 1, 2004. The Company has elected for the early adoption of the amendments during the fourth quarter of fiscal 2004. Prior to the adoption, no compensation expense was recognized when stock options were granted to directors and employees if the exercise price of the stock options granted were at market value. However, the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair-value based method, was disclosed as pro-forma information in the notes to the financial statements.

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 April 2006, the TSX Venture Exchange approved three option agreements that the Company entered into with Strategic Merchant Bancorp Ltd. ("SMB"), a company with two directors in common. SMB can exercise the options to earn 70% interest in the Pine Nut Property, 70% in the Dry Gulch Property and 65% interest in the North Bullfrog Property (note 3(e)).

(a) Under the letter agreement to option Pine Nut Property, SMB will allot and issue 450,000 common shares, make cash payments totaling $90,000, and spend a total of $2,000,000 in exploration expenditures to earn a 60% interest. Once SMB has completed the first option, it has 60 days to elect to earn an additional 10% interest by spending an additional $1,000,000 within 12 months.

(b) Under the letter agreement to option the Dry Gulch Property, SMB will allot and issue 450,000 common shares, make cash payments totaling $90,000, and spend a total of $2,400,000 in exploration expenditures to earn a 60% interest. Once SMB has completed the first option, it has 60 days to elect to earn an additional 10% interest by spending an additional $1,000,000 within 12 months.

(c) Under the letter agreement to option the North Bullfrog Property, SMB will allot and issue 500,000 common shares, make cash payments totalling $125,000, and spend a total of $2,800,000 in exploration expenditures to earn a 65% interest.

(d) SMB will be responsible for all costs including underlying property payments to maintain the properties in good standing.

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.

On Behalf of the Board,
REDSTAR GOLD CORP.

Scott Weekes,
President

REDSTAR GOLD CORP.

Management's Discussion & Analysis

FORM 51-102F1

For the Period Ending
March 31, 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 audited financial statements including the notes thereto for the periods ending March 31, 2006 and March 31, 2005, 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 July 28, 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 year ended March 31, 2006, the Company completed a private placement for 4,170,000 units at $0.15 per unit, each unit consisting of one common share and one-half of one purchase warrant exercisable at $0.25 for one year. In relation to this private placement, 224,000 agent's warrants with the same terms as the private placement were also issued and finders fees and finance charges of $26,880 were paid. The funds will be used for additional mineral property exploration in Red Lake and acquisitions in Nevada.

During the year ended March 31, 2006, the Company arranged a private loan for a total of $100,000. The Company agreed to pay bonus shares of 200,000 at a value of $20,000 as consideration for the loan. The loan had a term of one year bearing interest at a rate of 12% per annum, compounded monthly, resulting in an interest expense of $24,551 including the value of $20,000 for the bonus shares issued. The loan was repaid during the year as to $40,000 cash, 400,000 shares with a value of $60,000 and 200,000 share purchase warrants exercisable at $0.25 on or before February 10, 2007. The share purchase warrants have been ascribed a fair market value of $24,280.

During the year ended March 31, 2006, the Company issued 1,600,000 common shares valued at $240,000 in settlement of debt with a related party.

Administrative expenses during the fiscal year increased approximately 13% to $569,706 ($504,703 in 2004). Most of the increase resulted from higher costs relating to business promotion & travel and salaries due to the Company's expansion of operations in Nevada. Management fees have reduced to $18,000 from $63,950 over the same period as the Company has taken more direct control of its exploration activities in Nevada and Red Lake. Stock based compensation, a non-cash charge, decreased to $127,423 in the year ($133,149 in 2004).

Capitalized exploration costs for the period on all of the Company's properties increased to $450,758 with $121,900 spent on the Nevada properties and $328,858 spent on the Red Lake properties.

Selected Annual Information

The following selected information has been taken from the Company's audited annual financial statements that have been prepared in accordance with accounting policies generally accepted in Canada. All dollar figures are expressed in Canadian currency.

The Company is currently a publicly held exploration stage company and currently does not generate any revenue from its operations. Instead the Company will rely on equity financings to meet its exploration obligations and administrative costs. The loss for the period ending March 31, 2006 totaled $2,066,063 representing a basic loss per share of $0.07. This includes a write down on mineral properties of $1,494,440. 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 March 31, 2006 includes non-cash charges of $127,423 for stock-based compensation costs. The Company also spent $87.060 in contract wages for administration on the Company and $112,826 on business promotion.

Mineral exploration expenses of $450,758 were incurred on the Company's Red Lake and Nevada properties including $327,219 on the Newman Todd property. Of that total, $255,346 was spent on drilling.

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

Summary of Quarterly Results

	Income (Loss) before discontinued operations $	Net Income (Loss) per share $	Revenue $
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*
June 30, 2004	(82,300)	(0.01)	31,383*

*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. 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 meters north-south by 300 meters east-west. Quartz stringer zones up to 30 meters wide have been mapped with individual veins up to 3.0 meters wide. Previous, wide spaced reverse circulation drilling, intersected gold values up to 11.5 g/t over 1.52 meters within quartz veins. Surface sampling identified numerous gold values over 10 g/t with the best value being 37.7g/t over 3.0 meters.

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 March 31, 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 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. 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 March 31, 2006. Subsequent to this period the Company acquired additional private land within the project area. The private lands cover areas of historic workings on high grade vein systems and represent a high priority target within the North Bullfrog land package.

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 and were highlighted by 3.05 feet grading 2.0 opt gold (69.02 g/t over 1.0 meters) within a 9.14 foot zone grading 0.73 opt gold (24.89 g/t over 3.0 meters) (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

Subsequent to the period ending March 31, 2005, 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 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. The 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 holes was drilled over 850 metres northeast of the high grade mineralization intersected in 2005.

Additional drilling in the area of 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. 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 March 31, 2006 the Company had a working capital of $87,887 and an accumulated deficit of $7,713,024. 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			
2006	**2005**	**Exercise Price**	**Expiry Date**
0	1,767,700	$0.15	July 28, 2005
3,125,000	3,300,000	$ 0.25 and $ 0.30	March 28, 2007
2,309,000	0	$0.25	February 1, 2007
200,000	0	$0.25	February 10, 2007
5,634,000	5,067,700		

Options

Options Outstanding			Options Exercisable	
Number of Shares	Exercise Price	Expiry Date	Number of Shares	Exercise Price
130,000	$ 0.20	June 12, 2007	130,000	$ 0.20
680,000	$ 0.12	April 4, 2008	680,000	$ 0.12
712,500	$ 0.18	September 11, 2008	712,500	$ 0.18
1,370,000	$ 0.10	October 1, 2009	1,125,000	$ 0.10
600,000	$ 0.20	February 25, 2010	450,000	$ 0.20
905,000	$ 0.18	January 3, 2011	452,500	$ 0.18
4,397,500			3,550,000	

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

Subject to regulatory approval, 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
- $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.

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.

The Company has defaulted on some of the payments but is in the progress of negotiating a new agreement.

Newman Todd Property

The Company has signed a letter 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 letter agreement outlining the terms of an exploration partnership to explore within Nevada. The terms are subject to the completion of a formal agreement.

The agreement will give the Company exclusive rights to the AngloGold Ashanti database for a period of 18 months in exchange for 100,000 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 $2,000,000 on Nevada exploration they will acquire a full copy of the database and the agreement will be terminated.

Pine Nut Property

In July, 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, 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.

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In April 2006, the TSX Venture Exchange approved three option agreements that the Company entered into with Strategic Merchant Bancorp Ltd. ("SMB"), a company with two directors in common. SMB can exercise the options to earn 70% interest in the Pine Nut Property, 70% in the Dry Gulch Property and 65% interest in the North Bullfrog Property (note 3(e)).

(a) Under the letter agreement to option Pine Nut Property, SMB will allot and issue 450,000 common shares, make cash payments totaling $90,000, and spend a total of $2,000,000 in exploration expenditures to earn a 60% interest. Once SMB has completed the first option, it has 60 days to elect to earn an additional 10% interest by spending an additional $1,000,000 within 12 months.

(b) Under the letter agreement to option the Dry Gulch Property, SMB will allot and issue 450,000 common shares, make cash payments totaling $90,000, and spend a total of $2,400,000 in exploration expenditures to earn a 60% interest. Once SMB has completed the first option, it has 60 days to elect to earn an additional 10% interest by spending an additional $1,000,000 within 12 months.

(c) Under the letter agreement to option the North Bullfrog Property, SMB will allot and issue 500,000 common shares, make cash payments totalling $125,000, and spend a total of $2,800,000 in exploration expenditures to earn a 65% interest.

(d) SMB will be responsible for all costs including underlying property payments to maintain the properties in good standing.

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.

On Behalf of the Board,
REDSTAR GOLD CORP.

Scott Weekes,
President