REDSTAR GOLD CORP.

FINANCIAL STATEMENTS

JUNE 30, 2005

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim statements by an entity's auditors.

REDSTAR GOLD CORP.

BALANCE SHEETS

June 30, 2005

	June 30, 2005 (Unaudited)	June 30, 2005 (Audited)
ASSETS		
CURRENT ASSETS		
Cash	$ 185,440	$ 372,817
Accounts receivable	2,463	3,304
Prepaid expenses and advances	7,428	13,288
	195,331	389,409
MINERAL PROPERTIES (Note 3)	1,612,784	1,539,605
EQUIPMENT (Note 4)	14,356	15,407
	$ 1,822,471	$ 1,944,421
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 46,749	$ 41,863
Due to related parties (Note 6)	28,029	113,681
	74,778	155,544
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	7,120,520	7,084,270
OPTION COMPENSATION (Note 5(c))	293,245	265,262
SHARE PURCHASE WARRANTS (Note 5(a))	14,500	14,500
CONTRIBUTED SURPLUS (Note 5(c))	71,806	71,806
DEFICIT	(5,752,378)	(5,646,961)
	1,747,693	1,788,877
	$ 1,822,471	$ 1,944,421

NATURE OF OPERATIONS AND GOING-CONCERN (Note 1)
COMMITMENT (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 financial statements.

REDSTAR GOLD CORP.

STATEMENTS OF OPERATIONS AND DEFICIT

For the Three Months Ended June 30

(Unaudited – See Notice to Reader

	2005	2004
EXPENSES		
Stock-based compensation	$ 27,982	$ 21,503
Business promotion	17,972	22,500
Management fees	4,500	21,300
Salaries and benefits	18,375	15,928
Professional fees	7,793	13,000
Rent	8,660	12,626
Investor relations	-	15,000
Office and miscellaneous	3,494	6,506
Regulatory fees	-	1,298
Consulting	12,000	-
Transfer agent	1,353	762
Telephone	1,762	1,303
Amortization	1,050	993
Less: Interest earned	(531)	(33)
Expense recoveries	(467)	-
	103,942	132,686
OTHER (INCOME) AND EXPENSES		
Option income	-	(31,383)
General exploration	1,475	2,500
NET LOSS FOR THE PERIOD	105,417	103,803
DEFICIT, BEGINNING OF PERIOD	5,646,961	5,102,379
DEFICIT, END OF PERIOD	$ 5,752,378	$ 5,206,182
LOSS PER SHARE	$ 0.00	$ 0.01

See notes to financial statements.

REDSTAR GOLD CORP.

STATEMENTS OF CASH FLOWS

For the Three Months Ended June 30

(Unaudited – Prepared by Management)

	2005	2004
CASH PROVIDED BY (USED FOR):		
CASH USED IN OPERATING ACTIVITIES		
Loss for the year	$ (105,417)	$ (103,803)
Items not involving cash		
Amortization	1,050	993
Stock-based compensation	27,982	21,503
	(76,385)	(87,139)
Net change in non-cash working capital items		
Accounts receivable	842	24,207
Prepaid expenses and advances	5,859	3,154
Accounts payable and accrued liabilities	(80,088)	11,300
Due to related parties	(679)	78,809
	(74,066)	117,470
CASH USED IN INVESTING ACTIVITIES		
Mineral property exploration and development expenditures	(27,926)	(25,270)
Mineral property acquisition costs	(9,000)	(25,675)
Equipment	-	(1,222)
	(36,926)	(52,167)
CASH PROVIDED BY FINANCING ACTIVITY		
Issuance of share capital for cash	-	-
INCREASE (DECREASE) IN CASH	(187,377)	(16,005)
CASH, BEGINNING OF YEAR	372,817	46,217
CASH, END OF YEAR	$ 185,440	$ 30,212

Supplemental disclosure with respect to cash flows (Note 9)

See notes to financial statements.

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

(a) 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.

(b) 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)

(c) Share capital

Share capital 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 share capital 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 share capital.

(d) Loss per share

Loss per share is calculated using the weighted average number of 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.

(e) 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.

(f) 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.

(g) Stock-based compensation

Effective April 1, 2003, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 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 payments are vested or the awards or rights are granted.

During 2003, the CICA released amendments to Section 3870 that 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

based method, was disclosed as pro-forma information in the notes to the financial statements.

(g) Stock-based compensation (Continued)

As a result of this change in accounting, the opening deficit was restated on a retroactive basis to show the effect of compensation expense associated with stock option grants to employees and directors in prior years of $134,649.

(h) 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 likely to be realized.

3. MINERAL PROPERTIES

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

2005	West Red Lake	Biron Bay	Newman Todd	Nevada Property	Total
Balance, March 31, 2005	$ 1,454,640	$ 38,163	$ -	$ 46,802	$1,539,605
Additions during period					
Acquisition costs	44,250			1,001	45,251
Exploration costs					
Assay					
Consultants - geology					
Contract labour	3,000			13,925	
Camp and exploration support					
Land and tenure	1,638				
Travel and accommodation				8,539	
Equipment rental	826				
	5,464			22,464	27,928
Less: Mineral properties written off					
Balance at end of year	1,504,354	38,163	-	70,267	1,612,784

REDSTAR GOLD CORP.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

(Unaudited – Prepared by Management)

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3. MINERAL PROPERTIES (continued)

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.

(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. 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

- 125,000 common shares and $15,000 upon regulatory approval (issued and paid)
- 125,000 common shares and $35,000 on or before May 6, 2003 (issued and paid)
- 125,000 common shares and $35,000 on or before May 6, 2004 (issued and paid)
- 125,000 common shares and $50,000 on or before May 6, 2005
- 150,000 common shares on a previously amended agreement (issued)

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

- 250,000 common shares (issued subsequent to year-end) and $25,000 upon regulatory approval ($16,000 paid and $9,000 paid subsequent to year-end)
- Common shares with a value of $25,000 and $25,000 cash on or before February 28, 2006
- Common shares with a value of $25,000 and $50,000 cash on or before February 28, 2007
- Common shares with a value of $25,000 and $100,000 cash on or before February 28, 2008.

(ii) Work expenditures

- $450,000 on or before May 6, 2003 (expended in 2003)
- $600,000 on or before May 6, 2004 (expended in 2004)
- $650,000 on or before May 6, 2005 (of which approximately $400,000 had been expended in 2005)
- $875,000 on or before May 6, 2006.

During the year ended March 31, 2005, an amended agreement revised the cumulative work expenditures as follows:

- $200,000 on or before February 28, 2007
- $500,000 in aggregate on or before February 28, 2008

- $1,100,000 in aggregate on or before February 28, 2009.

3. MINERAL PROPERTIES (continued)

(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 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.

(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 have been assigned a fair value of $14,500. The vendor has retained a 1.5% net smelter return royalty if the gold price is less than or equal to US $400 per ounce, or 2% if greater than $400 per ounce. The property is also subject to an underlying 15% net profits interest.

The Company has 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. On exercise of the option the Company's interest in the property would be reduced to 18% under the area of influence terms of the West Red Lake Properties agreement. During the year ended March 31, 2005, the Company received option payments of $85,709 (US $65,000).

3. MINERAL PROPERTIES (continued)

The agreement was terminated during the year ended March 31, 2005 and $2,462 of deferred exploration costs were written off. 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 5 days of regulatory approval (March 18, 2005) (issued)
- 150,000 common shares on or before March 18, 2006
- 200,000 common shares on or before March 18, 2007
- 250,000 common shares on or before March 18, 2008.

The mineral claims are subject to a 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 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 $2,000,000 on exploration expenses on Nevada properties ($28,498 spent as of March 31, 2005) and issue to AngloGold 100,000 common shares.

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 $1,000,000 in exploration expenses within three years after electing to back-in.

The agreement expires in July 2006 but can be renewed on a yearly basis with the consent of both parties. When it is renewed, the Company will issue 100,000 shares to AngloGold for each year that it is renewed.

(e) 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. To exercise the option the Company must make, in stages, cash payments of $220,000 and issue 350,000 common shares to the optionor and incur $875,000 in exploration expenditures on the properties as follows:

(i) Shares and cash payments

- 75,000 common shares and $15,000 upon regulatory approval (issued and paid)
- 60,000 common shares and $25,000 on or before April 30, 2005
- 60,000 common shares and $30,000 on or before April 30, 2006
- 55,000 common shares and $50,000 on or before April 30, 2007
- 100,000 common shares and $100,000 on or before April 30, 2008.

3. MINERAL PROPERTIES (continued)

(ii) Cumulative work expenditures

- $450,000 on or before April 30, 2005
- $600,000 on or before April 30, 2006
- $650,000 on or before April 30, 2007
- $875,000 on or before April 30, 2008.

The mineral claims are subject to a 3% net smelter return royalty, 2% of which may be purchased for $1,000,000 per percentage point.

The Company has abandoned this investment and all related acquisition and exploration expenditures have been written off.

(f) Sobel Lake, Red Lake District, Ontario

The Company has entered into an agreement dated October 2, 2002 to acquire a 100% interest in 4 mineral claims located in the Red Lake District of Ontario as follows:

(i) Cash payments totaling $37,500 to be paid in stages to January 27, 2006 ($2,500 paid at a deemed value of $2,400).
(ii) The issue of up to 175,000,000 common shares in stages to January 27, 2006 (15,000 shares issued at a deemed value of $2,400).
(iii) To incur exploration expenditures of up to $300,000 in stages on or before January 27,2006.

The optionors have retained a 1.5% net smelter return royalty that the Company may purchase up to 1% thereof for $1,000,000.

The Company has signed a letter of intent to enter into an option, subject to regulatory approval, to acquire a 100% interest in an additional 4 contiguous mineral claims. Under the terms of the agreement the Company would pay, in stages within 4 years, up to $56,000 ($6,000 paid) and issue up to 395,000 common shares. The optionors have retained a 1.5% net smelter return royalty of which 1% may be purchased for $1,000,000.

As at March 31, 2004, the Company abandoned its interest in the options and $10,900 in acquisition costs has been written off.

4. EQUIPMENT

Equipment is comprised of office furniture and computer equipment and is recorded at cost net of accumulated amortization of $20,673 (2004 - $15,977).

5. SHARE CAPITAL

Authorized:
100,000,000 common shares without par value

Issued:	Number of Shares	Amount
Balance at March 31, 2005	26,541,221	$ 7,084,270
Mineral properties	250,000	49,750
Balance at June 30, 2005	26,791,221	7,120,520

(a) Share purchase warrants

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

Number of shares **2005**	Number of shares **2004**	Exercise Price	Expiry Date
1,767,700	-	$0.15	July 28, 2005
3,260,000	-	$ 0.25 and $ 0.30	February 23, 2007
-	2,972,500	$0.15	June 6, 2004
-	2,553,000	$0.23	June 6, 2003/2004
-	1,577,500	$0.18	June 6, 2004
-	400,000	$0.23	July 4, 2003/2004
-	100,000	$0.18	July 4, 2004
-	493,913	$0.20	July 15, 2004
-	713,000	$0.25	October 22, 2003/2004
-	55,000	$0.20	October 22, 2004
-	(i) 100,000	$0.30	September 16, 2004
-	4,219,000	$0.18	June 7, 2004
5,027,700	13,184,912		

(i)Share purchase warrants issued as consideration for mineral property interests (Note 3(c)) were assigned a fair value of $14,500 based on the Black-Scholes options pricing model.

5. SHARE CAPITAL (continued)

(b) Stock options

As at March 31, 2005, the Company had stock options outstanding to directors, employees and consultants for the purchase of up to 3,622,500 common shares exercisable as follows:

Number of Shares	Exercise Price	Expiry Date
130,000	$ 0.20	June 12, 2007
680,000	$ 0.12	April 4, 2008
712,500	$ 0.18	September 11, 2008
1,500,000	$ 0.10	October 1, 2009
600,000	$ 0.20	February 25, 2010
3,622,500		

A summary of the status of the Company's stock options as at March 31, 2005 and 2004 and changes during the years then ended are as follows:

		2005		2004
	2005 Shares	Weighted Average Exercise Price	2004 Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,663,334	$ 0.19	1,046,001	$ 0.20
Granted	2,100,000	0.13	1,550,000	0.15
Exercised	0	0.00	(671,834)	0.20
Cancelled / expired / forfeited	(140,834)	0.20	(260,833)	0.20
Outstanding at end of year	3,622,500	$ 0.15	1,663,334	$ 0.19

(c) Stock-based compensation

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes options pricing model with the following weighted average assumptions at March 31, 2005 and 2004:

	2005	**2004**
Risk-free interest rate	2.88%	3.96%
Expected dividend yield	-	-
Expected stock price volatility	193.54%	115%
Expected option life in years	5	3 to 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.

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 that contractor $26,213 (2004 - $28,137) for exploration costs and $30,675 (2004 - $62,621) to reimburse office and administrative costs. As at June 30, 2005, the Company owed $18,311 to that contractor.

(b) Management fees of $4,500 (2004 - $30,000) and $7,802 (2004 - $17,936) for rental of shared office premises was paid to a company in which a director is a principal; as at June 30, 2005, the Company owed that company $9,718.

(c) As at June 30, 2005, the Company owed $2,354 to a company with two directors in common.

7. INCOME TAXES

The Company has accumulated losses for tax purposes of approximately $1,372,000 that expire as follows:

2006	$	150,000
2007		189,000
2008		290,000
2009		113,000
2010		200,000
2011		252,000
2015		178,000
	$	1,372,000

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.

		2005		2004
Income tax benefit computed at Canadian statutory rates	$	63,582	$	89,598
Temporary differences not recognized in year		(130,042)		(75,905)
Unrecognized tax losses		66,461		(13,693)
	$	-	$	-

7. INCOME TAXES (Continued)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates of 35.62%, are as follows:

	2005	2004
Future income tax assets		
Temporary differences in assets	$ 412,403	$ 366,907
Net tax losses carried forward	488,630	444,969
	901,033	811,876
Valuation allowance for future income tax assets	(901,033)	(811,876)
Net future income tax assets	-	-
Future income tax liabilities	-	-
Future income tax assets, net	$ -	$ -

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 period ended June 30, 2005, the Company issued 250,000 (2004 - 75,000) common shares valued at $36,250 (2004 - $9,000) for mineral property interests.

10. COMMITMENT

During 2003, the Company entered into a lease agreement for the rental of office premises for a six-year period ending October 31, 2009. 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

(a) The Company incorporated a wholly-owned subsidiary in the USA subsequent to the year-end, Redstar Gold Corp. U.S.A. Inc.

REDSTAR GOLD CORP.

Management's Discussion & Analysis

FORM 51-102F1

For the Period Ending
June 30, 2005

The following management discussion and analysis of the financial position of Redstar Gold Corp. ("Redstar" or the "Company") and results of operations of the Company should be read in conjunction with the unaudited and audited financial statements including the notes thereto for the periods ending June 30, 2005 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 August 29, 2005 ("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. For the period ending June 30, 2005, the Company issued 3.0 million units at a price of 17.5 cents per unit to raise gross proceeds of $525,000. The funds from the private placement financing will be primarily used for the Company's Nevada properties and for working capital.

Administrative expenses during the first quarter decreased by over 27% to 103,942 ($132,686 in 2004). Most of the decrease resulted from lower promotion, management fees, investor relations fees and management fees due to a lower level of overall corporate activity. Stock based compensation, a non-cash charge, increased slightly to $27,982 in the period ($21,503 in 2004) The decrease in activity was largely due to the extra amount of time spent closing the Pine Nut property acquisition. Capitalized exploration costs for the period on all of the Company's properties increased by $27,928, with $22,464 spent on the Nevada properties and $5,464 on the Red Lake properties.

Summary of Quarterly Results

	Income (Loss) before discontinued operations $	Net Income (Loss) per share $	Revenue $
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*
March 31, 2004	(188,651)	(0.01)	-
December 31, 2003	(85,736)	(0.01)	-
September 30, 2003	(93,692)	(0.01)	-

*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 June 2003, the Company completed an exploration program on the Red Lake properties and Atikokan properties, which in turn, raised costs associated with promotion, travel, and general expenses. The loss in the quarter ending March 31, 2004 and March 31, 2005 is significantly higher due to stock-based compensation expense associated with the exercise of 671,834 options and mineral properties that have been written off. In fiscal 2004, the Company's Sobel Lake properties were written off and in fiscal 2005, the Atikokan properties were written off.

Results of Operations

Pine Nut Property, Nevada USA

Subsequent to the period ending June 30, 2005, the Company announced the acquisition of the Pine Nut project in the Walker Lane Belt of north western Nevada. 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.

The Pine Nut property consists of 53 staked mineral claims and six parcels (totalling approx. 1040 acres) of private land. The private land is held under six lease and lease to purchase arrangements with total payments in the first year of $57,325. The lease to purchase agreements gives Redstar the ability to purchase both mineral and surface rights for some of the parcels.

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 December 31, 2004, the Company had $120,553 in working capital and an accumulated deficit of $5,752,378. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise additional funds or the attainment of profitable operations.

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

Warrants

Number of Shares	Exercise Price	**Expiry Date**
3,260,000	$0.25 and $0.30	February 23, 2007
3,260,000		

Options

Number of Shares	**Exercise Price**	**Expiry Date**
130,000	$0.20	June 12, 2007
680,000	$0.12	April 4, 2008
712,500	$0.18	September 11, 2008
1,500,000	$0.10	October 1, 2009
600,000	$0.20	February 25, 2010
3,622,500		

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

Capital Resources

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

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

Red Lake Properties

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
- $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 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.

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 that contractor $26,213 (2004 - $28,137) for exploration costs and $30,675 (2004 - $62,621) to reimburse office and administrative costs. As at June 30, 2005, the Company owed $18,311 to that contractor.

(b) Management fees of $4,500 (2004 - $30,000) and $7,802 (2004 - $17,936) for rental of shared office premises was paid to a company in which a director is a principal; as at June 30, 2005, the Company owed that company $9,718.

(c) As at June 30, 2005, the Company owed $2,354 to a company with two directors in common.

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

Subsequent to the year ending June 30, 2005, the Company announced the appointment of Jacob (Jake) Margolis to the position of Exploration Manager USA. Jake will spearhead Redstar's exploration efforts in Nevada and the rest of the Great Basin and will be responsible for project development and acquisitions.

Jake has over twenty years of experience in gold exploration, mostly in Nevada and the Great Basin. He has worked as an exploration manager and district geologist for AngloGold Ashanti in Nevada, and has an intimate knowledge of the AngloGold Ashanti database acquired by Redstar through an exploration partnership agreement (January 13, 2005). Jake was one of the geologists responsible for compiling the database and utilizing it to develop projects.

Jake has experience in both the senior and junior exploration and mining sectors including work for Corona Corporation, Homestake Mining Company and AngloGold Ashanti. Most recently Jake was Vice President of Exploration for Bullion River Gold Corp.

On Behalf of the Board,
REDSTAR GOLD CORP.

Scott Weekes,
President