SmytheRatcliffe
CHARTERED ACCOUNTANTS

Redstar Gold Corp.

Financial Statements
March 31, 2005 and 2004

A Member of PKF International

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Redstar Gold Corp. are the responsibility of the Company's management. The 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 auditor to review the financial statements and the results of audit examinations.

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

"J. Patrick Nicol" (signed)

J. Patrick Nicol
Director

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF REDSTAR GOLD CORP.

We have audited the balance sheet of Redstar Gold Corp. as at March 31, 2005 and the statements of operations and deficit and cash flows for the year 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 audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2004 and for the year then ended were audited by another auditor who expressed an opinion without reservation on those statements in his report dated July 29, 2004.

"Smythe Ratcliffe" (signed)

Chartered Accountants

Vancouver, British Columbia
July 26, 2005

REDSTAR GOLD CORP.

BALANCE SHEETS

March 31, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash	$ 372,817	$ 46,217
Accounts receivable	3,304	35,242
Prepaid expenses and advances	13,288	32,114
	389,409	113,573
MINERAL PROPERTIES (Note 3)	1,539,605	1,398,742
EQUIPMENT (Note 4)	15,407	14,385
	$ 1,944,421	$ 1,526,700
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 41,863	$ 49,065
Due to related parties (Note 6)	113,681	261,168
	155,544	310,233
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	7,084,270	6,100,427
OPTION COMPENSATION (Note 5(c))	265,262	132,113
SHARE PURCHASE WARRANTS (Note 5(a))	14,500	14,500
CONTRIBUTED SURPLUS (Note 5(c))	71,806	71,806
DEFICIT	(5,646,961)	(5,102,379)
	1,788,877	1,216,467
	$ 1,944,421	$ 1,526,700

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 Years ended March 31, 2005 and 2004

	2005	2004
EXPENSES		
Stock-based compensation	$ 133,149	$ 96,340
Business promotion	68,307	65,011
Management fees	63,950	83,725
Salaries and benefits	62,930	55,428
Professional fees	49,535	42,030
Rent	34,477	32,439
Investor relations	27,500	25,750
Office and miscellaneous	20,440	19,755
Regulatory fees	18,951	13,196
Consulting	14,000	-
Transfer agent	7,435	12,658
Telephone	4,697	5,184
Amortization	4,639	3,570
Less: Interest earned	(314)	(1,479)
Expense recoveries	(4,993)	(126)
	504,703	453,481
OTHER (INCOME) AND EXPENSES		
Option income	(85,709)	-
Mineral properties written off	123,088	10,900
General exploration	2,500	253
NET LOSS FOR THE YEAR	544,582	464,634
DEFICIT, beginning of year, as previously reported	5,102,379	4,503,096
Adjustment for stock-based compensation (Note 2(g))	-	134,649
DEFICIT, beginning of year, as restated	5,102,379	4,637,745
DEFICIT, END OF YEAR	$ 5,646,961	$ 5,102,379
LOSS PER SHARE	$ (0.03)	$ (0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	20,934,238	16,227,219

See notes to financial statements.

REDSTAR GOLD CORP.

STATEMENTS OF CASH FLOWS

For the Years ended March 31, 2005 and 2004

	2005	**2004**
CASH PROVIDED BY (USED FOR):		
CASH USED IN OPERATING ACTIVITIES		
Loss for the year	$ (544,582)	$ (464,634)
Items not involving cash		
Amortization	4,639	3,570
Stock-based compensation	133,149	96,340
Mineral interests written-off	123,088	10,900
	(283,706)	(353,824)
Net change in non-cash working capital items		
Accounts receivable	31,938	(34,097)
Prepaid expenses and advances	18,826	34,483
Accounts payable and accrued liabilities	(7,202)	16,840
Due to related parties	77,513	261,168
	(162,631)	(75,430)
CASH USED IN INVESTING ACTIVITIES		
Mineral property exploration and development expenditures	(164,877)	(748,187)
Mineral property acquisition costs	(53,074)	(150,000)
Equipment	(5,661)	(9,590)
	(223,612)	(907,777)
CASH PROVIDED BY FINANCING ACTIVITY		
Issuance of share capital for cash	712,843	800,884
INCREASE (DECREASE) IN CASH	326,600	(182,323)
CASH, BEGINNING OF YEAR	46,217	228,540
CASH, END OF YEAR	$ 372,817	$ 46,217

Supplemental disclosure with respect to cash flows (Note 9)

See notes to financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 years were as follows:

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

3. MINERAL PROPERTIES (Continued)

2004	West Red Lake	Newman Todd	Sobel Lake	Total
Acquisition costs	$ 193,750	$ -	$ 6,000	$ 199,750
Deferred exploration expenditures				
Assay	30,939	-	-	30,939
Consultants - geology	31,883	-	-	31,883
Consultants - geophysics	65,966	-	-	65,966
Contract labour	221,320	-	-	221,320
Materials and supplies	43,242	-	-	43,242
Camp and exploration support	110,407	-	-	110,407
Drilling	178,042	-	-	178,042
Reports, drafting and maps	6,566	-	-	6,566
Recording fees	9,632	-	-	9,632
Travel and accommodation	26,190	-	-	26,190
Equipment rental	71,038	-	-	71,038
Recoveries	-	(47,038)	-	(47,038)
	795,225	(47,038)	-	748,187
	988,975	(47,038)	6,000	947,937
Balance at beginning of year	407,305	49,500	4,900	461,705
	1,396,280	2,462	10,900	1,409,642
Less: Mineral properties written off	-	-	(10,900)	(10,900)
Balance at end of year	$1,396,280	$ 2,462	$ -	$ 1,398,742

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):

3. MINERAL PROPERTIES (Continued)

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

(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.

In addition, under the old agreement, the Company was responsible for the cash payments applicable to the underlying agreements in respect of the claims as follows:

- $46,000 on or before September 1, 2002 (paid)
- $94,000 on or before September 1, 2003 (paid)
- $201,000 on or before September 1, 2004
- advance royalties of $40,000 per year thereafter.

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).

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%.

3. MINERAL PROPERTIES (Continued)

(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.

(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.

3. MINERAL PROPERTIES (Continued)

(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 $19,622 (2004 - $14,984).

5. SHARE CAPITAL

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

Issued:	Number of Shares	Amount
Balance at March 31, 2003	12,661,754	$ 5,156,156
Private placement for cash (net)	4,367,333	486,732
Exercise of share purchase warrants for cash	997,000	190,135
Exercise of stock options for cash	671,834	124,017
Mineral properties	325,000	49,750
Stock-based compensation	-	93,637
	6,361,167	944,271
Balance at March 31, 2004	19,022,921	6,100,427
Private placement 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 at March 31, 2005	26,541,221	$ 7,084,270

5. SHARE CAPITAL (Continued)

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 purchase warrant exercisable at $0.15 for one year. A finance fee of 40,000 units were 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.

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, 260,000 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.

During the year ended March 31, 2004, the Company completed a private placement for 4,017,333 units at $0.12 per unit, each unit consisting of one common share and one share purchase warrant exercisable at $0.18 for one year. In relation to this private placement, 736,666 agent's warrants were issued and commission, legal and administrative fees of $45,768 were paid.

During the year ended March 31, 2004, the Company completed a second private placement for 350,000 units at $0.15 per unit, each unit consisting of one common share and one share purchase warrant exercisable at $0.20 for one year.

(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 $161,551 (2004 - $756,383) for exploration costs and $176,115 (2004 - $140,916) to reimburse office and administrative costs. As at March 31, 2005, the Company owed $104,767 to that contractor.

(b) Management fees of $26,000 (2004 - $30,000) and $27,187 (2004 - $17,936) for rental of shared office premises was paid to a company in which a director is a principal; as at March 31, 2005, the Company owed that company $5,881.

(c) During the year, the Company issued 1,500,000 common shares to settle debts of $225,000 with companies in which a director is a principal.

(d) As at March 31, 2005, the Company owed $3,033 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 year ended March 31, 2005, the Company issued 425,000 (2004 - 325,000) common shares valued at $46,000 (2004 - $49,750) for mineral property interests.

(b) During the year ended March 31, 2005, the Company issued 1,500,000 common shares in settlement of $225,000 in outstanding debts.

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 issued 250,000 common shares and paid $9,000 as partial consideration under the option agreement in respect of the West Red Lake properties (Note 3(a)).

(b) 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
March 31, 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 audited financial statements including the notes thereto for the periods ending March 31, 2005 and March 31, 2004.

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 27, 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 March 31, 2005, the Company issued 2,570,000 units (including 40,000 commission units) at a price of $0.10 to raise gross proceeds of $253,000.

The funds raised from the private placement have been primarily spent on the Company's Red Lake and Atikokan properties. Capitalized exploration costs for the year on all of the Company's properties increased by $164,877, with $50,023 spent on the Red Lake and Biron Bay properties, $86,355 on the Atikokan properties, and $28,498 in Nevada. The Company also incurred $108,074 in acquisition costs. During the year, the Company elected not to continue its option on the Atikokan properties due to marginal exploration results. As a consequence, $120,626 in exploration and acquisition costs has been written off.

Administrative expenses during the year increased by 11.29% to $504,703 ($453,481 in 2004). Most of the increase is attributable to stock based compensation expenses ($133,149), a non-cash charge, that resulted from the granting of 2,100,000 incentive stock options (1,500,000 in October 2004 at $0.10 and 600,000 at $0.20 in February 2005). By comparison, stock based compensation in 2004 was $96,340. Most significant cash related expenses however, stayed at a similar level or decreased during the year. Related party expenses including management fees ($63,950) decreased by 31% as a result of a significant decrease in exploration related activity when compared to the previous year. During fiscal 2005 the company spent $164,877 whereas $748,187 was spent in fiscal 2004. The decrease in exploration activity was largely due to the Company's limited financing activities.

However, in the last quarter of fiscal 2005, the Company reached an agreement with Anglogold Ashanti Inc. and acquired an option to earn a 100% interest in the Anglogold Ashanti's entire Nevada geological database. As a result, the Company share price improved to enable the Company to complete a private placement, subsequent to the year end, to raise gross proceeds of $525,000.

Also in the last quarter, the Company issued 1,500,000 shares at the price of $0.15 per share to two creditors, to settle outstanding debt totaling $225,000.

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 an exploration stage company and currently does not generate any revenue from its operations. Instead the Company relies on equity financings to meet its exploration obligations and administrative costs. The loss for the period ending March 31, 2005 before mineral property write-downs and extraordinary items totaled $591,384 representing a basic loss per share of $0.03 and a 27% increase over fiscal 2004. 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 significant increase in expenses over fiscal 2004 is the result of the adoption of The Canadian Institute of Chartered Accountants ("CICA") rule 3870 which requires the Company to expense stock-based payments, a non-cash charge, which include the issuance of incentive stock options. As previously mentioned, a total of 2,100,000 incentive stock options were granted during fiscal 2005. Total stock-based compensation expenses to employees and non-employees totaled $133,149 ($96,340 in 2004). Further information can be obtained from Item 2 (g) Stock Based Compensation in the notes of the Company's audited annual financial statements.

The Company's asset base grew 10% from $1,398,742 in fiscal 200, to $1,539,605 in fiscal 2005. The primary reason for the increase in assets is due to the capitalized expenditures resulting from the exploration programs on the Company's Red Lake properties.

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, 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)	-
June 30, 2003	(96,555)	(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

In fiscal 2004, the Company completed a mechanical stripping, mapping and surface sampling program on the Biron Bay property in Red Lake. Detailed sampling and mapping outlined a gold mineralized structural zone within mafic and felsic volcanic rocks and sulphidized iron formations. The zone has been exposed in a series of four stripped outcrops (L1 – L4) along a strike length of approximately 1.1 kilometres. Zones L1, L2 and L3 are interpreted to occur along a single mineralized structure whereas the L4 zone is hosted within sulphidized iron formations.

Anomalous gold values were collected along the entire strike of the exposed areas, with significant values as high as 22.10 grams per ton over 0.50 meters (see Table 1 for significant values.) A table of results from the L1, L2 and L3 zones are set out below:

Zone	Au g/t	Channel Length (m)
L1	19.25	0.60
L1	8.54	0.50
L1	8.04	0.50
L1	4.94	0.60
L1	4.60	0.50
L1	4.47	0.50
L2	22.1	0.50
L2	5.97	0.50
L2	3.56	0.50
L2	2.77	1.00
L3	1.15	1.00
L4	2.70	2.00
L4	1.18	1.00
L4	7.78	0.10

Field crews also completed a geochemical soil sampling program on the Pipestone North and Wolf Bay properties. The Pipestone North property is located immediately north of Biron Bay and the Wolf Bay property is adjacent to the Redstar/Rubicon/AngloGold held Newman Todd property.

In January and February 2004, the Company completed a 1,500 metre diamond drill program designed to test previously undrilled high-grade surface showings discovered on the Biron Bay and Pipestone North targets. Of the four drill holes that were completed, three holes tested the ledge showings on the Biron Bay properties and one hole tested the 991 showing on the Pipestone North property.

Biron Bay Drilling

The intersections in these holes are very similar to the mineralization observed on surface, and confirm the continuity of the Ledge showing at depth.

Hole WRL04-003 was drilled under the Ledge showing and intersected 7.66 g/t gold over 0.91 metres including 30.9 g/t gold over 0.14 metres. Hole WRL04-001 was drilled 200 metres along strike from WRL04-003 and intersected 3.25 g/t gold over 1.34 metres including 4.27g/t gold over 0.85 metres. This intersection is within a strongly biotite altered felsic volcanic unit with minor chalcopyrite bearing quartz veins. Drill hole WRL04-002 was drilled midway between holes 1 and 3 and encountered a mafic dyke unit at depth, and consequently no significant gold values were returned.

Pipestone North Drilling

Drill hole WRL04-004 was drilled under the 991 showing, and intersected a 200 metre wide zone of strongly quartz and sericite altered felsic stratigraphy with pyrite and chalcopyrite stringer mineralization and anomalous gold values. The zone consists of numerous intersections of copper up to 0.23% over 5.5 metres with isolated gold values up to 228 ppb. This is the widest zone of anomalous copper mineralization observed on the property, and previous work has indicated a correlation between gold grades and copper mineralization. In order to establish a framework for future drilling, the hole was designed to test stratigraphy and therefore did not test the north-south oriented gold bearing quartz veins previously sampled on surface. Additional drilling is planned to test these veins, as the 200 metre wide zone confirms the presence of a large mineralized system.

In fiscal 2005, the Company completed minor exploration work on the Red Lake properties. Most of the exploration conducted pertained to the drill program that was completed in fiscal 2004. In total, only $50,023 was spent on the Red Lake and Biron Bay properties.

Atikokan Property

In late July, exploration crews began the Phase One program on the Sunshine Road project. The program, consisting of regional analysis, mapping, stripping and sampling was designed to follow up on historical work that included grab samples grading as high as 66.0 grams per tonne gold.

Approximately 400 vein and wall rock samples were taken over the three week program. While geologically interesting, the results of the sampling did not meet the high grade gold samples encountered in the historical samples. As a result, $120,626 in mineral property expenditures has been written off.

Red Lake Property Re-negotiation

In the last quarter of fiscal 2005, the Company renegotiated its option agreements with Rubicon and Anglogold Ashanti on the Red Lake and Newman Todd properties. To acquire a 51% interest the Red Lake properties, the Company must spend $1,100,000 in exploration, issue 325,000 shares, and make cash payments of $200,000 over a four year period. With respect to the Newman Todd property, the Company must issue 700,000 shares over a four year period to earn a 100% interest.

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 a working capital deficiency of $320,121 and an accumulated deficit of $5,361,379. 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
1,261,700	$0.15	July 29, 2005
506,000	$0.15	July 29, 2005
3,260,000	$0.25 and $0.30	February 23, 2007
5,027,700		

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.

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 or accrued amounts due to that contractor of $161,578 for exploration costs and $176,115 to reimburse office and administrative costs. As at March 31, 2005, the Company owed $104,767 to that contractor.

b) Management fees of $26,000 (2004 - $30,000) and $27,187 (2004 - $17,936) for rental of shared office premises was paid to a company in which a director is a principal; as at March 31, 2005, the Company owed that company $5,881.

c) During the year, the Company issued 1,500,000 shares to settle $225,000 with companies in which a director is a principal.

d) As at March 31, 2005, the Company owed $3,033 to a company with two directors in common.

Fourth Quarter

Adjustments or events in the fourth quarter affecting the Company's expenses include a stock-based compensation expense of $133,149, which represents the fair value of options granted during the year ending March 31, 2005.

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 March 31, 2005, the Company issued 250,000 share and paid $9,000 cash to one vendor in connection with the West Red Lake property agreement. The Company also incorporated a wholly owned subsidiary called Redstar Gold Corp. USA Inc.

REDSTAR GOLD CORP.

Management's Discussion & Analysis

FORM 51-102F1

For the Period Ending
March 31, 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 audited financial statements including the notes thereto for the periods ending March 31, 2005 and March 31, 2004.

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 27, 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.

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Administrative expenses during the year increased by 11.29% to $504,703 ($453,481 in 2004). Most of the increase is attributable to stock based compensation expenses ($133,149), a non-cash charge, that resulted from the granting of 2,100,000 incentive stock options (1,500,000 in October 2004 at $0.10 and 600,000 at $0.20 in February 2005). By comparison, stock based compensation in 2004 was $96,340. Most significant cash related expenses however, stayed at a similar level or decreased during the year. Related party expenses including management fees ($63,950) decreased by 31% as a result of a significant decrease in exploration related activity when compared to the previous year. During fiscal 2005 the company spent $164,877 whereas $748,187 was spent in fiscal 2004. The decrease in exploration activity was largely due to the Company's limited financing activities.

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The Company's asset base grew 10% from $1,398,742 in fiscal 200, to $1,539,605 in fiscal 2005. The primary reason for the increase in assets is due to the capitalized expenditures resulting from the exploration programs on the Company's Red Lake properties.

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, 2005	(353,877)	(0.01)	-
December 31, 2004	(96,845)	0.00	-
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March 31, 2004	(188,651)	(0.01)	-
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*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

In fiscal 2004, the Company completed a mechanical stripping, mapping and surface sampling program on the Biron Bay property in Red Lake. Detailed sampling and mapping outlined a gold mineralized structural zone within mafic and felsic volcanic rocks and sulphidized iron formations. The zone has been exposed in a series of four stripped outcrops (L1 – L4) along a strike length of approximately 1.1 kilometres. Zones L1, L2 and L3 are interpreted to occur along a single mineralized structure whereas the L4 zone is hosted within sulphidized iron formations.

Anomalous gold values were collected along the entire strike of the exposed areas, with significant values as high as 22.10 grams per ton over 0.50 meters (see Table 1 for significant values.) A table of results from the L1, L2 and L3 zones are set out below:

Zone	Au g/t	Channel Length (m)
L1	19.25	0.60
L1	8.54	0.50
L1	8.04	0.50
L1	4.94	0.60
L1	4.60	0.50
L1	4.47	0.50
L2	22.1	0.50
L2	5.97	0.50
L2	3.56	0.50
L2	2.77	1.00
L3	1.15	1.00
L4	2.70	2.00
L4	1.18	1.00
L4	7.78	0.10

Field crews also completed a geochemical soil sampling program on the Pipestone North and Wolf Bay properties. The Pipestone North property is located immediately north of Biron Bay and the Wolf Bay property is adjacent to the Redstar/Rubicon/AngloGold held Newman Todd property.

In January and February 2004, the Company completed a 1,500 metre diamond drill program designed to test previously undrilled high-grade surface showings discovered on the Biron Bay and Pipestone North targets. Of the four drill holes that were completed, three holes tested the ledge showings on the Biron Bay properties and one hole tested the 991 showing on the Pipestone North property.

<u>Biron Bay Drilling</u>

The intersections in these holes are very similar to the mineralization observed on surface, and confirm the continuity of the Ledge showing at depth.

Hole WRL04-003 was drilled under the Ledge showing and intersected 7.66 g/t gold over 0.91 metres including 30.9 g/t gold over 0.14 metres. Hole WRL04-001 was drilled 200 metres along strike from WRL04-003 and intersected 3.25 g/t gold over 1.34 metres including 4.27g/t gold over 0.85 metres. This intersection is within a strongly biotite altered felsic volcanic unit with minor chalcopyrite bearing quartz veins. Drill hole WRL04-002 was drilled midway between holes 1 and 3 and encountered a mafic dyke unit at depth, and consequently no significant gold values were returned.

Pipestone North Drilling

Drill hole WRL04-004 was drilled under the 991 showing, and intersected a 200 metre wide zone of strongly quartz and sericite altered felsic stratigraphy with pyrite and chalcopyrite stringer mineralization and anomalous gold values. The zone consists of numerous intersections of copper up to 0.23% over 5.5 metres with isolated gold values up to 228 ppb. This is the widest zone of anomalous copper mineralization observed on the property, and previous work has indicated a correlation between gold grades and copper mineralization. In order to establish a framework for future drilling, the hole was designed to test stratigraphy and therefore did not test the north-south oriented gold bearing quartz veins previously sampled on surface. Additional drilling is planned to test these veins, as the 200 metre wide zone confirms the presence of a large mineralized system.

In fiscal 2005, the Company completed minor exploration work on the Red Lake properties. Most of the exploration conducted pertained to the drill program that was completed in fiscal 2004. In total, only $50,023 was spent on the Red Lake and Biron Bay properties.

Atikokan Property

In late July, exploration crews began the Phase One program on the Sunshine Road project. The program, consisting of regional analysis, mapping, stripping and sampling was designed to follow up on historical work that included grab samples grading as high as 66.0 grams per tonne gold.

Approximately 400 vein and wall rock samples were taken over the three week program. While geologically interesting, the results of the sampling did not meet the high grade gold samples encountered in the historical samples. As a result, $120,626 in mineral property expenditures has been written off.

Red Lake Property Re-negotiation

In the last quarter of fiscal 2005, the Company renegotiated its option agreements with Rubicon and Anglogold Ashanti on the Red Lake and Newman Todd properties. To acquire a 51% interest the Red Lake properties, the Company must spend $1,100,000 in exploration, issue 325,000 shares, and make cash payments of $200,000 over a four year period. With respect to the Newman Todd property, the Company must issue 700,000 shares over a four year period to earn a 100% interest.

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 a working capital deficiency of $320,121 and an accumulated deficit of $5,361,379. 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**
1,261,700	$0.15	July 29, 2005
506,000	$0.15	July 29, 2005
3,260,000	$0.25 and $0.30	February 23, 2007
5,027,700		

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.

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 or accrued amounts due to that contractor of $161,578 for exploration costs and $176,115 to reimburse office and administrative costs. As at March 31, 2005, the Company owed $104,767 to that contractor.

b) Management fees of $26,000 (2004 - $30,000) and $27,187 (2004 - $17,936) for rental of shared office premises was paid to a company in which a director is a principal; as at March 31, 2005, the Company owed that company $5,881.

c) During the year, the Company issued 1,500,000 shares to settle $225,000 with companies in which a director is a principal.

d) As at March 31, 2005, the Company owed $3,033 to a company with two directors in common.

Fourth Quarter

Adjustments or events in the fourth quarter affecting the Company's expenses include a stock-based compensation expense of $133,149, which represents the fair value of options granted during the year ending March 31, 2005.

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 March 31, 2005, the Company issued 250,000 share and paid $9,000 cash to one vendor in connection with the West Red Lake property agreement. The Company also incorporated a wholly owned subsidiary called Redstar Gold Corp. USA Inc.