

REDSTAR GOLD CORP.
UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2004

G. Ross McDonald*

Chartered Accountant

*Denotes incorporated professional

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NOTICE TO READER

I have compiled the balance sheet of Redstar Gold Corp. as at June 30, 2004 and statement of operations and deficit and cash flows for the three-month period then ended from information provided by the Company. I have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

"G. Ross McDonald" (signed)

G. Ross McDonald
Chartered Accountant

Vancouver, British Columbia
August 30, 2004

REDSTAR GOLD CORP.**BALANCE SHEETS**

| | June 30, 2004 | March 31, 2004 |
|--|--------------------------|---------------------------|
| | (Unaudited) | (Audited) |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and short term deposits | \$ 30,213 | \$ 46,217 |
| Accounts receivable | 11,035 | 35,242 |
| Prepaid expenses and advances | 28,960 | 32,114 |
| | 70,208 | 113,573 |
| MINERAL PROPERTIES (Note 3) | 1,458,687 | 1,398,742 |
| EQUIPMENT (Note 4) | 14,614 | 14,385 |
| | \$ 1,543,509 | \$ 1,526,700 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 60,365 | \$ 49,065 |
| Due to related parties (Note 6) | 339,977 | 261,168 |
| | 400,342 | 310,233 |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 5) | 6,109,427 | 6,100,427 |
| OPTION COMPENSATION (Note 5(b)) | 132,113 | 132,113 |
| SHARE PURCHASE WARRANTS (Note 5(a)) | 14,500 | 14,500 |
| CONTRIBUTED SURPLUS | 71,806 | 71,806 |
| DEFICIT | (5,184,679) | (5,102,379) |
| | 1,134,167 | 1,216,467 |
| | \$ 1,543,509 | \$ 1,526,700 |

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 10)

APPROVED BY THE BOARD

"J. Patrick Nicol"

Director - J. Patrick Nicol

"Douglas A. Fulcher"

Director - Douglas A. Fulcher

REDSTAR GOLD CORP.**STATEMENTS OF OPERATIONS AND DEFICIT**

For the Three Months Ended June 30

(Unaudited - See Notice to Reader)

| | 2004 | 2003 |
|-------------------------------------|---------------------|---------------------|
| EXPENSES | | |
| Business promotion | \$ 22,500 | \$ 8,424 |
| Management fees | 21,300 | 23,850 |
| Salaries, fees and benefits | 15,928 | 19,805 |
| Investor relations | 15,000 | - |
| Professional fees | 13,000 | 22,422 |
| Rent | 12,626 | 7,858 |
| Office and miscellaneous | 6,328 | 1,950 |
| Telephone | 1,303 | 1,077 |
| Listing and regulatory fees | 1,298 | 1,498 |
| Amortization | 993 | 637 |
| Transfer agent | 762 | 637 |
| Bank charges and interest | 178 | 112 |
| Stock options expense | - | 8,779 |
| | 111,216 | 97,049 |
| Less: Interest earned | (33) | (494) |
| | 111,183 | 96,555 |
| OTHER ITEMS | | |
| General exploration | 2,500 | |
| Option income | (31,383) | - |
| LOSS FOR THE PERIOD | 82,300 | 96,555 |
| DEFICIT, BEGINNING OF PERIOD | 5,102,379 | 4,503,496 |
| DEFICIT, END OF PERIOD | \$ 5,184,679 | \$ 4,600,051 |
| LOSS PER SHARE | \$ 0.01 | \$ 0.01 |

REDSTAR GOLD CORP.**STATEMENTS OF CASH FLOWS****For the Three Months Ended June 30****(Unaudited - See Notice to Reader)**

| | 2004 | 2003 |
|---|------------------|-------------------|
| CASH PROVIDED BY (USED FOR): | | |
| OPERATING ACTIVITIES | | |
| Loss for the period | \$ (82,300) | \$ (96,555) |
| Items not involving cash | - | - |
| Amortization | 993 | 637 |
| Stock-based compensation | - | 8,779 |
| | (81,307) | (87,139) |
| Net change in non-cash working capital items | | |
| Accounts receivable | 24,207 | (1,542) |
| Prepaid expenses and advances | 3,154 | (11,231) |
| Accounts payable and accrued liabilities | 11,300 | 14,841 |
| Due to related parties | 78,809 | - |
| | 36,163 | (97,932) |
| INVESTING ACTIVITIES | | |
| Mineral property exploration and development expenditures | (25,270) | (99,553) |
| Mineral property acquisition costs | (25,675) | 32,039 |
| Equipment | (1,222) | - |
| | (52,167) | (67,514) |
| FINANCING ACTIVITIES | | |
| Issuance of share capital for cash | - | 396,306 |
| INCREASE (DECREASE) IN CASH | (16,005) | 141,801 |
| CASH, BEGINNING OF PERIOD | 46,217 | 228,540 |
| CASH, END OF PERIOD | \$ 30,212 | \$ 370,341 |

REDSTAR GOLD CORP.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

(Unaudited - See Notice to Reader)

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.

At June 30, 2004, the Company has working capital deficiency of \$330,135 which, together with the private placement announced subsequent to the period end (note 10(a)), will be insufficient to achieve the Company's planned corporate and administrative expenses for the coming year. The Company will require additional financing or outside participation, to undertake further exploration and subsequent development of its mineral properties. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

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) Basis of Presentation

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended March 31, 2004. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended March 31, 2004.

(b) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

3. MINERAL PROPERTIES

(a) West Red Lake Properties, Red Lake Division, 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, cash payments of \$135,000 and issue 500,000 common shares, to the optionor and incur \$2,575,000 in exploration expenditures on the property as follows:

REDSTAR GOLD CORP.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

(Unaudited - See Notice to Reader)

3. MINERAL PROPERTIES (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
- 125,000 common shares and \$50,000 on or before May 6, 2005
- 150,000 common shares on amended agreement (issued)

(ii) Work expenditures

- \$450,000 on or before May 6, 2003 (expended)
- \$600,000 on or before May 6, 2004 (expended)
- \$650,000 on or before May 6, 2005
- \$875,000 on or before May 6, 2006

In addition the Company is 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.

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

Certain of the mineral claims are subject to a 2% net smelter return royalty, one-half of which may be purchased for up to \$2,000,000.

The Company signed a letter of intent to acquire a 100% interest in 32-patented mineral claims in the area of interest of the other claims. Under the terms of the agreement the Company must make cash payments of \$50,500 (\$15,000 paid) and issue 100,000 common shares (50,000 issued) over a two-year period. The property is subject to a 1% net smelter returns royalty that may be purchased for \$1,000,000.

(b) Newman Todd Property, Red Lake Division, Ontario

The Company acquired a 100% interest in 12 freehold mineral claims located in the Red Lake District of Ontario by paying \$25,000 and issuing 50,000 common shares at a deemed value of \$10,000 and 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 period ended June 30, 2004, the Company received an option payment of \$33,845 (US \$25,000) of which \$31,383 has been taken into income in these financial statements.

REDSTAR GOLD CORP.

NOTES TO THE FINANCIAL STATEMENTS

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3. MINERAL PROPERTIES (continued)

(c) Atikokan Property, Thunder Bay Division, Ontario

The Company signed a letter 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) 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.

An additional 13 mineral claims were acquired in consideration of \$10,270 in staking costs.

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

| | West Red Lake | Newman Todd | Atikokan | Total |
|-----------------------------------|--------------------------|------------------------|-----------------|--------------|
| Acquisition costs | \$ - | \$ - | \$ 34,270 | \$ 34,270 |
| Deferred exploration expenditures | | | | |
| Assay | 1,586 | - | - | 1,586 |
| Contract labour | 12,000 | - | - | 12,000 |
| Materials and supplies | 2,108 | - | - | 2,108 |
| Drilling | 5,153 | - | - | 5,153 |
| Equipment rental | 7,290 | - | - | 7,290 |
| Recoveries | - | (2,462) | - | (2,462) |
| | 28,137 | (2,462) | - | 25,675 |
| | 28,137 | (2,462) | 34,270 | 59,945 |
| Balance at beginning of period | 1,396,280 | 2,462 | - | 1,398,742 |
| Balance at end of period | \$1,424,417 | \$ - | \$ 34,270 | \$ 1,458,687 |

REDSTAR GOLD CORP.**NOTES TO THE FINANCIAL STATEMENTS**

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4. EQUIPMENT

Equipment is comprised of office furniture and computer equipment are recorded at cost net of accumulated amortization of \$15,977

5. SHARE CAPITAL

Authorized:

99,953,125 common shares without par value

| Issued: | Number of Shares | Amount |
|--|---------------------|---------------------|
| Balance at March 31, 2002 | 22,944,573 | \$ 4,005,891 |
| Consolidation (1:6) | (19,120,477) | - |
| Escrow shares cancelled | (46,875) | (49,103) |
| | <u>3,777,221</u> | <u>3,956,788</u> |
| Issued during the year | | |
| Private placement for cash | 7,786,348 | 1,009,622 |
| Exercise of share purchase warrants for cash | 97,361 | 19,472 |
| Debt settlement | 810,824 | 121,624 |
| Mineral properties | 190,000 | 48,650 |
| | <u>8,884,533</u> | <u>1,199,368</u> |
| 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 |
| | <u>6,361,167</u> | <u>944,271</u> |
| Balance at March 31, 2004 | 19,022,921 | 6,100,427 |
| Mineral properties | 75,000 | 9,000 |
| Balance at June 30, 2004 | <u>19,097,921</u> | <u>\$ 6,109,427</u> |

REDSTAR GOLD CORP.**NOTES TO THE FINANCIAL STATEMENTS**

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5. SHARE CAPITAL (continued)**(a) Share Purchase Warrants**

The Company has outstanding share purchase warrants as at June 30, 2004, which entitle the holders to purchase common shares as follows:

| Number of Shares | Exercise Price | Expiry Date |
|-------------------------|-----------------------|--------------------|
| 400,000 | \$0.23 | July 4, 2004 |
| 100,000 | \$0.18 | July 4, 2004 |
| 493,913 | \$0.20 | July 15, 2004 |
| 713,000 | \$0.25 | October 22, 2004 |
| 55,000 | \$0.20 | October 22, 2004 |
| 100,000 (i) | \$0.30 | September 16, 2004 |
| 4,219,999 | \$0.18 | June 27, 2004 |
| 6,081,912 | | |

(i) Share purchase warrants issued as consideration for mineral property interests were assigned fair value of \$14,500 based on the Black-Scholes Option Pricing Method.

(b) Stock Options

As at March 31, 2004, the Company had stock options outstanding to directors, employees and consultants for the purchase of up to 1,663,334 common shares exercisable as follows:

| Number of Shares | Exercise Price | Expiry Date |
|-------------------------|-----------------------|--------------------|
| 10,834 | \$0.20 | March 5, 2005 |
| 260,000 | \$0.20 | June 12, 2007 |
| 680,000 | \$0.12 | April 4, 2008 |
| 712,500 | \$0.18 | September 11, 2008 |
| 1,663,334 | | |

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 \$28,137 for exploration costs and \$62,621 to reimburse office and administrative costs including \$13,800 for management fees. As at June 30, 2004, the Company owed \$332,309 to that contractor.
- (b) Management fees of \$7,500 and \$7,930 for rental of shared office premises was paid to a company in which a director is a principal; as at June 30, 2004, the Company owed that company \$2,728.
- (c) As at June 30, 2004, the Company owed \$4,940 to a company with two directors in common.

7. SEGMENTED INFORMATION

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

REDSTAR GOLD CORP.

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(Unaudited - See Notice to Reader)

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended June 30, 2004 the Company issued 75,000 common shares valued at \$9,000 for mineral property interests

9. COMMITMENT

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

10. SUBSEQUENT EVENTS

(a) Financing

The Company completed a private placement and issued 2,530,000 units at a price of \$0.10 per unit for gross proceeds of \$253,000 before commission and share issue costs. Each unit consists of one common share and one-half share purchase warrant. Each full share purchase warrant is exercisable to acquire one common share at \$0.15 per share on or before July 29, 2005. The Company's fiscal agents were paid a commission of \$20,240 plus 506,000 agents' warrants, an administration fee of \$3,500 plus 40,000 units with the same terms as the private placement, an 8% commission and 736,666 share purchase warrants at the same terms.