

Redstar Gold Corp. (TSX-V: RGC) – Update on Successful Drilling

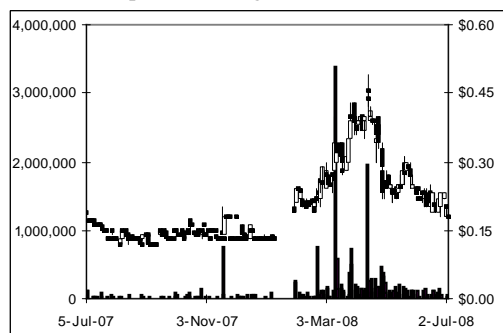
Sector/Industry: Junior Mining/Gold

www.redstargold.com

Market Data (as of July 7, 2008)

Current Price	C\$0.18
Fair Value	C\$0.31
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.11 - C\$0.49
Shares O/S	48,983,348
Market Cap	C\$8.82 million
Current Yield	N/A
P/E (forward)	N/A
P/B	3.18
YoY Return	-5.3%
YoY TSXV	-23.7%

*see back of report for rating and risk definitions



Investment Highlights

- The company's most advanced asset, the Newman Todd property, is located in Red Lake, Ontario. Red Lake is a world class mining camp, and Newman Todd represents a potential new discovery.
- The company is planning a third drilling program on Newman Todd to further delineate the structure.
- Through a strategic partnership with AngloGold Ashanti (NYSE: AU), the company utilizes AngloGold's exploration database to acquire and farm out prospective properties in Nevada.
- Four of the company's Nevada properties are currently joint ventured.
- Two properties are optioned to Gold Fields (NYSE: GFI), one of the top gold producers in the world. Gold Fields has committed \$1.4 million in exploration expenditures to these two properties in the first year of the agreement.
- We have maintained our fair value estimate at \$0.31 per share.

Key Financial Data (FYE - March 31)

(C \$)	2005	2006	2007 9 mon
Cash	292,260	40,785	839,051
Working Capital	87,887	(615,257)	958,161
Mineral Assets	876,798	1,370,745	1,788,794
Total Assets	1,231,621	1,444,555	2,868,897
Net Income	(2,066,063)	(509,147)	(581,399)
EPS	(0.07)	(0.02)	(0.01)

Redstar is advancing the highly prospective Newman Todd property in the Red Lake mining district. This property has geologic potential for a high grade Red Lake style deposit. They are also focused on prospect generation utilizing the joint venture model in Nevada: RGC currently holds 8 properties in Nevada, 4 of which are optioned at this time.

**AngloGold
Partnership**

In May 2008, the company announced expenditures of \$3.0 million on exploration within the Great Basin and therefore, had finalized their option agreement to acquire a full copy of the exploration database. Under the terms of the agreement, any project Redstar acquired during the agreement was subject to a one time back-in right after Redstar has spent a total of \$0.75 million on any particular project. AngloGold will have to spend \$1.5 million within three years to back-in for 60%. **Any project Redstar acquires going forward will not be subject to this back-in right.** This gives Redstar greater flexibility in acquiring properties and making joint venture deals with partners.

Newman Todd

Property Overview: The 100% owned Newman Todd property is the company's flagship property and most advanced asset. The company has begun to delineate a gold bearing structure that can be traced for approximately 2km with Red Lake style mineralization.

Geology and Mineralization: The company has identified gold mineralization associated with quartz veins in a large breccia zone, gold associated with iron formations, and gold associated with a felsic-mafic contact zone. The company is targeting the structural zone with gold sulfide mineralization, including visible gold. This zone has been mapped for approximately 2 kilometers along strike and remains open in both directions and at depth.

Current Status: Redstar began drilling at Newman Todd in January 2008, and completed seven holes. They released two holes in March 2008 that highlighted the excellent potential of Newman Todd. The two holes in the table below were drilled about 800 meters apart from each other, causing the company's stock to increase.

Drill Hole	Interval (m)	Grade (g/t Au)
NT-039	1.0 meters	14
And	1.0 meters	7.34
NT-040	60 meters	1.72
Incl.	5.0 meters	14.22
Incl.	1.0 meters	61.02
And	2.0 meters	9.87
Incl.	1.0 meters	15.0
And	2.0 meters	7.6
Incl.	1.0 meters	14.0

The remaining five drill holes were released in April 2008, and continued to showcase the potential of the zone, with broad zones of low grade mineralization as well as narrower intervals of high grade mineralization.

Drill Hole	From (m)	To (m)	Interval (m)	Grade (g/t Au)
NT-041	286.0	288.0	2.0	1.17
NT-042	249.0	294.0	45.0	1.50
Incl.	249.0	257.0	8.0	4.52
Incl.	249.0	251.5	2.5	11.56
Incl.	250.0	251.0	1.0	25.70
	263.0	264.0	1.0	5.04
NT-043	88.0	97.0	9.0	2.96
Incl.	88.0	93.0	5.0	4.38
Incl.	91.0	93.0	2.0	6.24
NT-044	260.0	277.0	17.0	1.01
NT-045	93.0	93.5	0.5	3.96
	218.0	222.0	4.0	1.21
	240.0	242.0	2.0	1.22
	258.0	260.0	2.5	1.30
	308.0	317.0	8.5	1.05
	309.0	301.5	1.5	3.64
Incl.	310.0	310.5	0.5	7.38

Source: Redstar Gold Corp.

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time.

North Bullfrog Property Overview: The 1,200 hectare North Bullfrog property is the most advanced in the company's Nevada portfolio. This property is joint ventured to International Tower Hill Mines Ltd. (TSX.V: ITH), who can earn up to 70% interest.

Geology and Mineralization: North Bullfrog is a bulk tonnage, low-grade gold target, consisting of high-grade epithermal veins within broad, low-grade mineralized stockwork zones.

Current Status: A Phase II drilling program commenced in January 2008. A total of 8,422 meters of drilling was completed in 35 holes. This program's main focus was the past producing Mayflower Mine, which developed along a high-grade vein/stockwork zone. Historic shallow drilling identified high-grade mineralization within a broad zone up to 10 meters wide. The 2008 results indicate the potential for a near surface bulk tonnage resource at Mayflower. 24 holes were completed on the Mayflower target.

Drill Hole	From (m)	To (m)	Interval (m)	Grade (g/t Au)
NB-08-07	44.2	51.8	7.6	0.80
NB08-09	100.6	103.6	3.0	0.73
	112.8	118.9	6.1	0.58
NB-08-10	65.5	117.4	51.8	2.02
Incl.	83.8	85.3	1.5	22.9
NB-08-11	106.7	109.7	3.1	1.24
	111.3	122.0	10.7	0.91
	131.1	137.2	6.1	0.79
NB-08-12	70.1	77.7	7.6	0.88
	83.8	112.9	29.0	1.79
Incl.	97.5	99.1	1.6	14.2
NB-08-14	157.0	169.2	12.2	1.06
	178.3	204.2	25.9	0.75
NB-08-15	77.7	102.1	24.4	0.87
NB-08-16	99.1	103.6	4.6	1.53
NB-08-17	85.3	99.1	13.8	0.90
Incl.	91.4	96.0	4.6	1.90
NB-08-18	89.9	102.1	12.2	1.16

Source: Redstar Gold Corp.

Redstar has identified six priority targets for drilling at North Bullfrog. The company also tested the Air Track Hill target about 3.5 kilometers northwest of Mayflower.

The following results from the Air Track Hill target also show potential for a bulk tonnage deposit:

Drill Hole	From (m)	To (m)	Interval (m)	Grade (g/t Au)
NB-08-20	88.92	92.96	3.04	0.71
NB-08-21	22.86	44.20	21.34	1.16
Incl.	36.58	38.10	1.52	3.28
NB-08-23	1.52	12.19	10.67	0.50
NB-08-25	155.45	164.5	9.14	0.50
		9		
NB-08-26	7.62	16.76	9.14	1.20
	248.41	257.5	9.15	0.53
		6		
NB-08-27	89.92	96.01	6.09	0.44
	117.35	134.1	16.76	0.41
		1		
NB-08-29	0.00	9.14	9.14	0.82

Source: Redstar Gold Corp.

The results from these targets indicate the potential to develop multiple projects on the property. The mineralization is widespread and remains open in all directions. ITH plans to focus on the Mayflower target with another drilling program this summer.

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time. ITH plans to complete an initial NI 43-101 resource estimate for the Mayflower Deposit later this year.

**Richmond
Summit & Dry
Gulch**

Property Overview: The Richmond Summit property is located in Nevada's Carlin trend. It is prospective for lower grade, disseminated bulk mineable gold mineralization as well as bonanza grade gold mineralization. The Dry Gulch property is located on the Carlin Trend, and preliminary geologic evidence suggests potential for sediment hosted Carlin-style mineralization. There is no historic exploration drilling on the property.

Ownership: Both properties have been optioned to Gold Fields Netherlands Services BV, a subsidiary of Gold Fields Ltd. (NYSE:GFI), who can earn 70% interest.

Current Status: Gold Fields has committed \$1.4 million on exploration for the two projects in the first year of the agreement. Geophysical surveys at both properties have been completed and geological mapping, sampling, and trenching are underway. Drilling is planned subsequent to the trenching results.

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time.

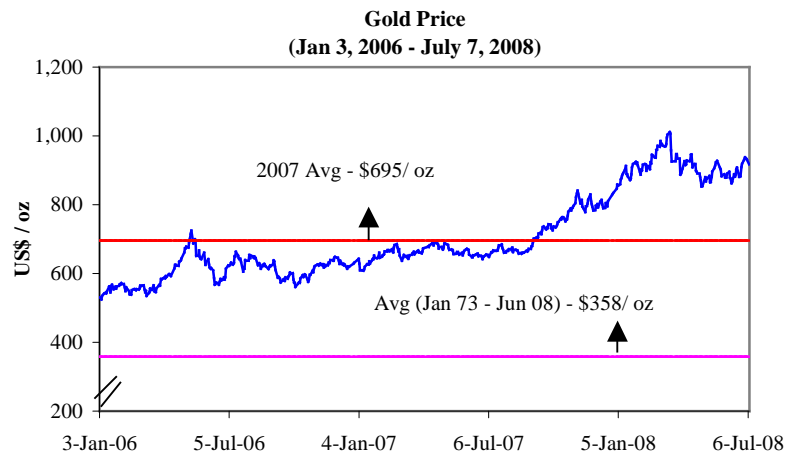
Outlook for Gold

Supply and Demand: The chart below shows supply and demand figures from the World Gold Council and GFMS Ltd. Global demand for gold increased by 4% YOY in 2007 (3.40 million tonnes to 3.55 million tonnes), as supply dropped by 3% YOY (3.58 million tonnes to 3.47 million tonnes). The increase in demand, and drop in supply, led the gold market to move from a supply surplus of 182 tonnes in 2006, to a supply deficit of 79 tonnes in 2007.

	2005	2006	2007	% ch 2007 vs 2006
Supply				
Mine production	2,550	2,481	2,447	-1
Net producer hedging	-88	-373	-400	...
Total mine supply	2,464	2,108	2,047	-3
Official sector sales	862	367	485	32
Old gold scrap	886	1,107	937	-15
Total Supply	4,012	3,582	3,469	-3
Demand				
Fabrication				
Jewellery	2,707	2,283	2,426	6
Industrial & dental	431	468	465	2
Sub-total above fabrication	3,138	2,741	2,891	5
Bar & coin retail investment	412	421	441	5
Other retail investment	-28	-22	-38	...
ETFs & similar	208	280	251	-4
Total Demand	3,731	3,400	3,547	4
"Inferred investment"	280	182	-79	...
London PM fix (US\$/oz)	444.45	603.77	695.39	15

Source: World Gold Council and GFMS Ltd.

The chart below shows gold prices since January 2006. Gold is currently trading at about US\$917/oz.



Source: KITCO

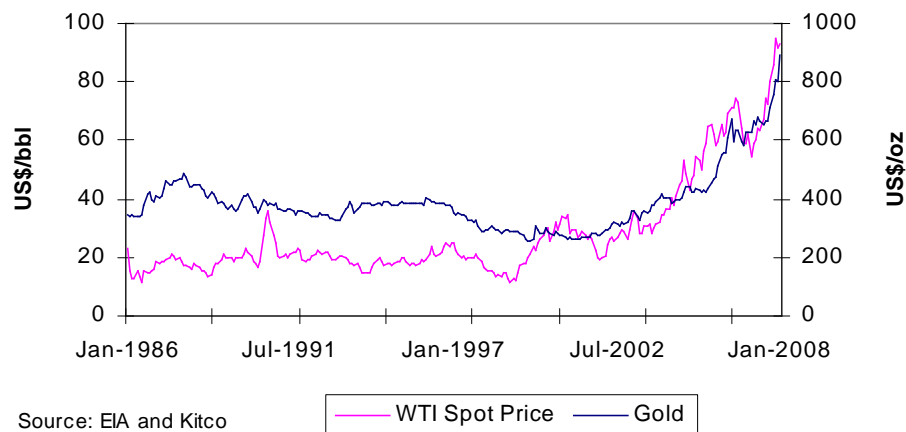
Although gold prices have risen considerably since mid 2007, and are currently trading at record highs, we have maintained our positive outlook on gold. We believe global demand growth will exceed supply growth in 2008 due to the following macro economic conditions.

a) The US\$ is expected to continue to depreciate with respect to other global currencies, based on an expected slow down in the U.S. economy, relatively lower real interest rates in the U.S., and persisting inflationary expectations.

The International Monetary Fund (IMF) expects U.S. GDP to grow at 1.5% in 2008, versus 2.2% in 2007, and the Federal Reserve predicts unemployment rates will increase YOY from 4.6% to 5.2% in 2008. As we expected in previous reports, real interest rates in the U.S. turned negative as the U.S. Fed cut interest rates from 5.25% to 2.00%. Negative real interest rates are very unfavorable for the US\$. The rate cuts also add to inflationary pressures and simultaneously depreciate the value of the US\$. The Fed has raised their forecasts for inflation in 2008 up from 1.8 – 2.1% to 2.1 – 2.4%.

b) High Oil Prices: We have also noticed a positive correlation between gold and oil prices in times of high oil prices. High oil prices create inflationary expectations among investors and lead them to drift towards gold. The chart below shows oil and gold prices since 1986. We noticed that the positive correlation between monthly log changes in oil and gold prices increased during January 2006 – January 2008, when oil prices were high, from the historic correlation (1986 – 2006) of 0.18 to 0.53, which is a significant jump.

Oil Vs Gold Prices



Oil is currently trading close to US\$141/bbl, and prices are expected to stay above \$80/bbl through at least 2010, which we believe will also have a positive effect on the demand for gold.

c) Investment demand continue to stay strong: As of July 7, 2008, the total ETG (exchange traded gold) assets held by the New York Stock Exchange (NYSE) and the London Stock Exchange (LSE) were up 35% YOY. We believe continued strength in investment demand reflects the fact that gold continues to hold its status as a ‘capital preservation asset’.

Therefore, based on a depreciating U.S. dollar, high oil prices and strong investment demand, we continue to be bullish on gold prices. The average consensus forecasts for gold prices are US\$940/oz in 2008, and US\$915/oz in 2009.

Financials

In the first 9 months of FY2007 (ended December 2007), the company recorded a net loss of \$0.58 million (EPS: -\$0.01), compared to \$0.36 million (EPS: -\$0.01) in the comparable period in FY2006. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.18 million per month in the first 9 months of FY2007, compared to \$0.07 million per month in FY2006 (12-month period ended March 2007). The table below shows the company's cash and liquidity position.

(in C\$)	2005	2006	2007 (9 mon)
Cash	292,260	40,785	839,051
Working Capital	87,887	(615,257)	958,161
LT Debts/ Assets	-	-	-
Burn Rate/Month (incl exploration costs)	(91,779)	(68,791)	(183,351)
Cash from financing activities	715,370	-	2,448,427

At the end of December 2007, the company had cash and working capital of \$0.84 million and \$0.96 million, respectively, versus cash of \$0.04 million and a working capital deficit of \$0.62 million at the end of FY2006.

Stock Options and Warrants: At the end of December 2007, the company had 5.27 million stock options outstanding, with exercise prices from \$0.10 to \$0.25, and maturity periods between April 2008 and May 2012. The company also had 8.71 million warrants outstanding (none of the warrants are currently in the money), with exercise prices from \$0.25 to \$0.30, and maturity periods between February 2008 and May 2009.

Conclusions: Assuming the company will continue to burn cash at the same rate as the first 9 months of FY2007 (\$0.18 million per month), we believe the company will have to raise additional capital of about \$1.20 million to fund its exploration program and working capital in the second half of 2008.

Valuation

As none of the company's projects have known resource estimates, we have continued to value the company based on the average ratio of enterprise value (EV) to mineral assets (book value) of the company's peers.

Our valuation metric dropped from 5.9 to 4.4 as the share prices of all of the company's peers has dropped since our initiating report in January 2008.

Comparables Valuation Model						
	Company	SYM	Price	Enterprise Value	Mineral Assets	EV / Mineral Assets
1	Almaden Minerals Ltd.	AMM	\$2.00	\$70,867,620	\$8,085,335	8.8
2	Miranda Gold Corp.	MAD	\$0.60	\$14,358,375	\$1,810,664	7.9
3	Redstar Gold Corp.*	RGC	\$0.18	\$8,567,025	\$2,496,977	3.4
4	Cornerstone Capital Resources Inc.	CGP	\$0.26	\$12,537,740	\$9,122,957	1.4
5	Eagle Plains Resources	EPL	\$0.27	\$6,573,086	\$9,964,762	0.7
Average						4.4

* Expected Mineral Assets at the end of 2008

Rating Our outlook on long-term gold prices has not changed, and RGC’s progress to date has been highly encouraging. Therefore, we have continued to value the company based on a EV/Mineral Assets ratio of 5.9, and have maintained our valuation on the company at \$0.31 per share.

Therefore, based on the company’s progress since our initiating report, we reiterate our BUY rating, and maintain our fair value estimate on the company at \$0.31 per share. Investors should note that this valuation does not capture the upside potential of the company’s projects at this stage of exploration.

Risks The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The company, as with all other junior mining companies, is subject to delays affecting the entire mining industry.
- The success of drilling, expansion and the determination of favorable resource estimates are important long-term factors for the success of the company.
- The value of the company depends on commodity prices, specifically gold.

We continue to rate the shares Risk 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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