



Globestar
Mining Corporation

Registered Office: 133 Kendall Street, Point Edward, Ontario, N7V 4G6 Phone (519) 337-5302
Head Office: Suite 300, 6 Adelaide Street E, Toronto, Ontario, M5C 1H6 Phone (416) 868-6678

MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended December 31, 2006 (compared December 31, 2005)

This Management's Discussion and Analysis ("MD&A") provides an analysis of the financial conditions and results of the operations of GlobeStar Mining Corporation (the "Company" or "GlobeStar") for the year ended December 31, 2006 as compared to the year ended December 31, 2005 and has been prepared as of April 30, 2007. This MD&A should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2006 as well as the annual audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2005 ("Annual Statements"), which are available at SEDAR website, www.sedar.ca.

These audited annual financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The same accounting policies and methods are used in the preparation of the audited financial statements for the fiscal year ended December 31, 2005.

The reporting currency is in Canadian dollars, unless specified as US\$.

Description of Business /Overview of Performance

GlobeStar is a mining exploration and development company which owns a portfolio of mining property assets in the Dominican Republic and Canada (Quebec), either directly or through its subsidiaries. GlobeStar was formed on December 6, 2002 under a plan of arrangement involving GlobeStar which was a newly incorporated company under the Canada Business Corporations Act, and TGW Corp. Inc. ("TGW") a reporting issuer and publicly traded company. As a result of the plan of arrangement, GlobeStar acquired 100% of TGW's common shares causing TGW to become a wholly-owned subsidiary of GlobeStar. In addition, GlobeStar's common shares became listed for trading on the TSX Venture exchange under the symbol "GMI and ultimately became listed on the TSX as of January 2007.

In the mining sector, generally, the commercially viable recoverability of minerals is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary funding to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The Company has accumulated a significant deficit and to continue operations, it continues to need new capital.

Without such funding being available, the Company may be unable to continue its operations, and the amounts realized for assets may be significantly less than amounts reflected in the Quarterly or Annual Statements. Exploration for mineral properties is inherently risky and the success of these strategies is subject to numerous risks. Management cannot guarantee that its strategy will find mineral deposits, or if discovered, that these deposits will be commercially viable. The stock market in general, and the market for mineral exploration companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating results or asset values of those companies. These broad market and industry factors may seriously impact the market price and trading volumes of GlobeStar's shares, regardless of the actual operating performance.

The majority of the Company's assets consist of interests in or rights to properties with the potential to host mineral deposits. Gold and base metals (copper/zinc/silver/nickel) are the principal commodities sought on the projects in which the Company is directly involved.

Cerro de Maimón

Since 2004, the focus and priority of the company has been the completion of the copper/gold feasibility study on the Cerro de Maimón deposit located in the Dominican Republic and the execution of the resulting development plan. In the fourth quarter of fiscal 2004, the Company received a completed feasibility study and retained Behre Dolbear Engineering Consultants to review the feasibility study and, pursuant to the requirements of national policy 43-101, prepare the relevant Technical Report which was received and duly filed in May 2005. This Technical Report was updated with the preparation of a production schedule sensitivity analysis and optimization plan which was filed on SEDAR on July 13, 2006. The Technical Report was subsequently amended on September 20, 2006. These documents may be viewed at www.sedar.com.

Having completed both a feasibility study and Technical Report, the Company accelerated activity with Auramet Trading LLC, financial advisors retained to assist and advise the Company in securing financing options for the development of the Cerro de Maimón project.

Principal developments with respect to the Company's operations included:

- On March 2, 2006, the Company reported that RMB Resources (a subsidiary of South Africa's FirstRand Financial Group - "RMB") received approval to provide an additional US\$4.25 million loan for the Cerro de Maimón project. On March 30, 2006, the Company secured this debt totaling \$4,980,150 maturing December 2008 to fund the retirement of a net profits interest option in the project held by the 4-Star Group, Inc. and thereby restore 100% control of the project to the Company. This debt was repaid on August 29, 2006.
- In May 2006, the Company received formal credit committee approval from NEDBANK Capital of South Africa to provide US\$38 million of senior debt financing (including US\$3,000,000 of capitalized interests) to finance construction and completion of the Cerro de Maimón project. The US\$38 million amount was later increased to include a \$7 million cost overrun account provided GlobeStar funds a matching amount of \$7 million.

- In June 2006, the Company announced the appointment of Mr. Jean Pierre Chauvin as President and Chief Operating Officer. Mr. Chauvin has over 25 years of operational experience in the mining sector including the start-up of four mines and specific experience in copper and gold mining. In August 2006, the Company announced the appointment of Mr. Eric Olson as Vice President Projects. Mr. Olson has over 25 years experience in international mining and development. The experience of Mr. Chauvin and Mr. Olson in mine development will be of significant value as the company advances Cerro de Maimón towards production. In November 2006, the company engaged Mr. David Massola as CFO. Mr. Massola has over 25 years experience in mine development and financing including co-coordinating the mine finance of BHP-Billiton's Escondida and Ekati mines. He was also the CFO of copper and diamond operations for two major mining companies.
- A significant increase in the Company's mineral resources as defined in the release of an updated, NI 43-101 compliant mineral inventory for the Company's properties in the Dominican Republic in February 2006;
- The discovery of high-grade nickel laterite mineralization on the Company's 100%-owned C1 concession ("Laterita Cerro de Maimón"), which abuts Falconbridge's (now Xstrata's) Falcondo nickel mine and smelter in the Dominican Republic;
- The granting of two new nickel laterite exploration concessions in the Dominican Republic, and the consolidation of a 198 square kilometre nickel laterite concession package through agreements with Everton Resources Inc. (EVR.V) and Energold Drilling Corp. (EGD.V);
- Drill testing of several promising targets defined by soil geochemistry and ground geophysics, including the 2J/Doña Cristina target on the Maimón concession, and a second target on the Cuancé concession. While neither drilling program encountered economic intersections, the results at Cuancé were sufficiently encouraging to justify a follow-up drilling program in Q3 of 2006;
- Metallurgical testing of a bulk sample from the Company's Moblan industrial mineral property in Quebec which confirms that a high-lithium spodumene concentrate (>7.25% Li) can be produced from the deposit.

Development of the Cerro de Maimón project as well exploration on the Company's other properties in the Dominican Republic continued throughout 2006. The Company expects to continue adding personnel in anticipation of advancing the project to production in the summer of 2008. In September 2006, the Company retained Golder and Associates to complete the geotechnical testwork and to complete additional testing required for the Environmental Management Plan. In December 2006, the Company appointed Met-Chem Canda Inc. as the consulting engineer to complete basic engineering, detailed engineering, procurement and construction management under an "EPCM" type contract. Met-Chem Canada Inc. will be assisted by RSW International Consulting Engineers and Micon International Ltd to perform the "EPCM" Service Contract for basic and detailed engineering, procurement and construction management of the construction of a processing plant and related facilities for the Cerro de Maimón Project. Met-Chem Canada Inc. will deliver to the Company an updated capital cost estimate in May of 2007. The company believes that higher commodity prices and demand for mining and milling equipment may lead to higher than expected costs. In addition

the company may elect to self mine resulting in the purchase of the mining fleet not in the original capital estimate.

Financing Activity

(i) Issue of 26,086,900 Special Warrants

On July 31, 2006, the Company completed an underwritten offering of 26,086,900 Special Warrants through Jennings Capital Inc., Westwind Partners Inc. and Canaccord Capital Corporation for gross proceeds of C \$29,999,935. Each Special Warrant entitles the holder thereof to receive, at any time and without payment of any additional consideration, one common share of the Company (the "Special Warrant Shares"). Each Special Warrant shall be automatically exercised at 5:00 p.m. on the earlier of: (i) the third business day after a receipt is issued by the principal securities regulator, on behalf of the security regulatory authorities in each of the jurisdictions in Canada in which purchasers of the Special Warrants are resident, for a (final) prospectus of the Company qualifying the distribution of the Special Warrant Shares (the "Prospectus"); and (ii) December 2, 2006. As compensation for their services, the Underwriters received an aggregate fee of \$1,956,518 as well as a broker special warrant (the "Broker Special Warrant") which will be exercisable, for no additional consideration, to acquire 1,695,649 broker warrants ("Broker Warrants") in-turn exercisable to acquire 1,695,649 common shares of the Company at a price of C\$1.15 per common share for a period of 18 months commencing July 31, 2006.

(ii) Secondary Offering of Common Shares by Karr Securities

On August 1, 2006, Karr Securities Inc. ("Karr"), a major holder of common shares of the Company, completed the sale of 8,695,650 special warrants of Karr ("Karr Special Warrants") through Jennings Capital Inc. and Canaccord Capital Corporation for gross proceeds to Karr of approximately C\$10.0 million. Each Karr Special Warrant entitles the holder thereof to receive, at any time and without payment of any additional consideration, one previously issued common share of GlobeStar currently held by Karr (the "Karr Special Warrant Shares"). Each Karr Special Warrant shall be automatically exercised at 5:00 p.m. on the earlier of: (i) the third business day after a receipt is issued by the principal securities regulator, on behalf of the security regulatory authorities in each of the jurisdictions in Canada in which purchasers of the Karr Special Warrants are resident, for a (final) prospectus of the Company qualifying the distribution of the Karr Special Warrant Shares (the "Prospectus"); and (ii) December 2, 2006. GlobeStar did not receive any proceeds from the sale of the Special Warrants by Karr. As a result of this financing activity, Karr now holds approximately 21% of the Company's common shares (on an undiluted basis).

Future Outlook

In fiscal 2007, the Company intends to continue to advance development of the Cerro de Maimón project in order to achieve its target of commencing production in the summer of 2008. Further, it expects to continue the various exploration initiatives underway and described fully in the “Exploration” section below.

Selected Financial Information, For Years Ending December 31

| | 2006 (\$) | 2005 (\$) | 2004 (\$) |
|-----------------------------|--------------|--------------|--------------|
| Revenues * | 1,960,124 | 39,410 | 54,715 |
| Expenses for the year | 4,241,195 | 1,535,179 | 1,202,408 |
| Loss for the year | 2,281,071 | 1,495,769 | 1,147,693 |
| Loss per share for the year | 0.039 | 0.034 | 0.027 |
| Total Assets | 41,238,934 | 12,142,758 | 10,665,679 |
| Working Capital | 19,032,817 | 669,809 | 366,796 |
| Long Term Debt | nil | nil | nil |
| Dividends paid | nil | nil | nil |
| | 2006 | 2005 | 2004 |
| Shares Outstanding | 77,734,050 | 50,365,900 | 41,797,400 |

* Represents financial revenues plus gain on sale of investments in public companies.

Results of Operations

Revenues earned by the Company, except for the gain on the sale of investment in public companies included in revenue, have been and continue to be insignificant to date as the Company is still in the exploration stage and does not have any producing properties. Revenue is derived from interest income on cash balances and cash equivalents plus a gain on the sale of shares of a public company. For the year ended December 31, 2006 the interest portion of revenue amounted to \$379,934 this has increased as compared to \$36,080 in the prior year. This increase in revenue of interest earned is attributable to higher cash balances held in 2006. In addition the revenue earned from the sale of shares in a public company amounted to \$1,580,190 an increase as compared to \$3,330 in the prior year.

Expenses for the year ended December 31, 2006 totaled \$4,241,195 represented an increase compared with total expenses of \$1,535,179 for fiscal year 2005. This increase is due mainly to interest on long term debt incurred in the 2006 of \$169,942, compared to nil in 2005. The increase is also due to the amortization of deferred charges during the year ended December 31, 2006 of \$951,624, as compared to nil in the prior year. In addition the compensation and benefits costs of \$898,962 incurred in 2006 as compared to \$206,935 in the preceding year were due to staff additions as well as the Company recognizes stock-based option compensation as expenses. The financial statements use the fair value method in accordance with Canadian GAAP to recognize these expenses. These expenses were partially offset by an increase in exchange gain of \$195,929 incurred during the year ended 2006 as compared to an exchange gain of \$44,570 in 2005.

The net result is that the Company recorded consolidated loss for the year ended December 31, 2006 of \$2,281,071 (or \$0.039 per share) as compared with a loss of \$1,495,769 (or \$0.034 per share) for the prior year ended December 31, 2005.

Summary of Quarterly Results

The following table sets forth unaudited financial information prepared by management of the Company.

| | Three Months Ended | | | |
|---|--------------------|--------------|--------------|--------------|
| | Dec. 31/06 | Sep. 30/06 | Jun. 30/06 | Mar. 31/06 |
| Revenues | \$ 249,610 | \$ 128,462 | \$ 963,031 | \$ 619,021 |
| Expenses | \$ 755,414 | \$ 2,349,762 | \$ 728,630 | \$ 407,389 |
| Net (earnings) loss for the period | \$ 505,804 | \$ 2,221,300 | \$ (234,401) | \$ (211,632) |
| Loss (earnings) per share—basic | \$ 0.006 | \$ 0.042 | \$ (0.005) | \$ (0.004) |
| Loss (earnings) per share—diluted | \$ 0.006 | \$ 0.042 | \$ (0.004) | \$ (0.004) |
| <u>Balance Sheet Information</u> | | | | |
| Total assets | \$ 41,238,934 | \$39,800,995 | \$18,499,001 | \$18,257,637 |

| | Three Months Ended | | | |
|---|--------------------|--------------|--------------|--------------|
| | Dec. 31/05 | Sep. 30/05 | Jun. 30/05 | Mar. 31/05 |
| Revenues | \$ 16,664 | \$ 28,438 | \$ 15,740 | \$ 3,695 |
| Expenses | \$ 735,553 | \$ 369,327 | \$ 231,113 | \$ 224,313 |
| Net (profit) loss for the period | \$ 718,889 | \$ 340,889 | \$ 215,373 | \$ 220,618 |
| Loss per share – basic | \$ 0.016 | \$ 0.008 | \$ 0.005 | \$ 0.005 |
| Loss per share – diluted | \$ 0.016 | \$ 0.008 | \$ 0.005 | \$ 0.005 |
| <u>Balance Sheet Information</u> | | | | |
| Total assets | \$12,142,758 | \$12,746,743 | \$10,386,917 | \$10,218,172 |

| | Three Months Ended | | | |
|---|--------------------|--------------|--------------|--------------|
| | Dec. 31/04 | Sep. 30/04 | Jun. 30/04 | Mar. 31/04 |
| Revenues | \$ 26,562 | \$ 19,930 | \$ 2,992 | \$ 16,054 |
| Expenses | \$ 487,866 | \$ 18,868 | \$ 477,189 | \$ 229,308 |
| Net loss (earnings) for the period | \$ 461,304 | \$ (1,062) | \$ 474,197 | \$ 213,254 |
| Loss per share – basic | \$ 0.011 | \$ 0.000 | \$ 0.011 | \$ 0.006 |
| Loss per share – diluted | \$ 0.011 | \$ 0.000 | \$ 0.011 | \$ 0.006 |
| <u>Balance Sheet Information</u> | | | | |
| Total assets | \$10,665,679 | \$10,605,578 | \$11,005,829 | \$13,064,202 |

Fluctuations in quarterly results for revenues are primarily affected by factors such as gains on sale of investments in public companies and interest earned per quarter based on the cash and equivalent balances held by the company during the quarter and interest rates paid by the bank to the company on these cash and equivalent balances. Interest rates paid by banks have risen just slightly in 2006 over 2005, and the Company disposed of all of its investments in public companies in 2006.

Expense fluctuations in quarterly results are due primarily to factors such as administrative expenses and exchange gains or losses due to fluctuation of the US dollar to the Canadian dollar between quarterly reporting periods.

Related party transactions

The Company entered into the following related party transaction during the year ended December 31, 2006:

- Directors were paid management fees totaling \$390,000 (as compared to \$116,000 paid in the year ended December 31, 2005).
- A company owned by a shareholder was paid management, office and rent fees totaling \$75,000 (as compared to \$40,000 paid in the year ending December 31, 2005). This company provided full office administrative services such as accounting, filings, all banking related functions, as well as other administrative functions as required by the Company.

Resource Expenditures

GlobeStar is engaged in the acquisition, exploration and development of mining properties for mineral resource deposits both within Canada (Quebec) and the Dominican Republic.

Other than in respect of the Cerro de Maimón project for which feasibility and optimization studies are complete, the Company has not yet determined whether its other properties contain ore reserves that are economically recoverable. All of the other Company's properties are in the exploration stage and there can be no assurance that any of them will reach the stage of production. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the exploration and development of its properties, receive final environmental and operating permits and upon future profitable production or proceeds from the disposal of properties.

The Company records its interests in mining properties and areas of geological interest at cost less option payments received and other recoveries. Exploration and development costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse.

Management reviews the carrying values of mining properties on a regular basis to determine whether any writedowns are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

The Company expended a total of \$8,418,060 on the acquisition of mining properties during the year ended December 31, 2006, compared to \$1,629,237 for the prior 2005 fiscal year. The Company records its interests in mining properties and areas of geological interest at cost less option payments received and other recoveries.

In the Dominican Republic, the Company expended a total of \$8,993,842 on the acquisition of mining properties during the 2006 fiscal year, compared to expenditure property acquisitions of \$1,740,924 in the Dominican Republic for the prior fiscal year. The majority of these expenditures have been incurred on the Cerro de Maimón mining concession as the Company has continued progress towards development in both the 2006 and 2005 fiscal years. This property has been and will continue to be the focus again of the Company in 2007 and 2008.

In the Dominican Republic, the Company recovered a total of \$139,958 of the expenditures of mining properties during the 2006 fiscal year, as compared to a recovery of expenditures of \$133,082 for the prior year. The recoveries of expenditures relate primarily to properties in the Dominican Republic that are under joint venture with Everton Resources Inc., whereby the Company acts as operator and is thereby entitled to reimbursement or contribution for amounts spent. It is anticipated that these properties will continue to be explored in the 2006 fiscal year.

In Quebec on the Moblan property, the Company expended a total of \$21,181 on the acquisition of mining properties during the third quarter of 2006, compared to expenditures of \$44,451 on the Moblan property for the corresponding quarter in the prior year. No further exploration is planned for Moblan in 2007.

Changes in Mining Properties

Dominican Republic

No changes to the company's mining properties were made during the Fiscal 2006. Except the following:

In May 2006, the Company executed an agreement with Everton Resources Inc. (EVR.V) to acquire 100%-ownership of the Corozal and Cercadillo nickel laterite concessions, which had previously been held under a 50:50 joint venture with Everton. Under the arms-length agreement with Everton, GlobeStar exchanged its 100% interest in the "La Mireya" concession in the eastern portion of the country in exchange for (i) Everton's 50% joint venture interest in the Corozal and Cercadillo nickel laterite concessions and (ii) formal title to the Cercadillo concession, resulting in GlobeStar's undivided 100% ownership of the two nickel laterite concessions. Everton will retain a 1% net smelter return ("NSR") on Corozal and Cercadillo while GlobeStar will retain a 2% NSR on La Mireya. GlobeStar and Everton also each have the right to purchase half of the other's NSR at any time for US\$500,000. This transaction closed July 26, 2006.

The Company has also been granted an option from Energold Drilling Corp. (EGD.V) to acquire up to 100% on another four nickel laterite concessions. Under the arms-length binding letter of intent with Energold, GlobeStar can earn up to a 100% interest in any nickel laterite deposits within the Elsa 1, Loma Cambronal, La Parcela and Loma Bambara concessions, which total approximately 116.6 sq. km. GlobeStar is the operator and can earn an initial 75% interest by completing a US\$900,000 work program and making payments of US\$50,000 per year for three years, payable in cash or shares. GlobeStar has the right to scale back the work program to US\$300,000 if it is discovered that there is potential for less than 5 million tonnes. GlobeStar also has the right to purchase Energold's remaining 25% interest for a payment of US\$500,000 in cash or shares, converting Energold's interest to a 2% NSR. Subsequently, GlobeStar may purchase 1% of Energold's NSR at any time for \$1 million in cash or shares.

Exploration

Exploration for the year ended December 31, 2006 was carried by the Company acting alone as well as jointly with the Company's joint venture partner, Everton Resources, in the Dominican Republic.

In addition to advancing the Cerro de Maimón development project, the Company continues to explore its other mineral properties in the Dominican Republic.

Copper/gold exploration

On the Cuancé and Los Hojanchos concessions, which the Company operates as part of a joint venture with Everton, initial drilling was undertaken in 2005 on a promising target along the northern border of the Cuancé Concession, approximately 10 kilometers South East of the Cerro de Maimón deposit. While the 2005 drilling failed to intercept economic mineralization, subsequent drilling by Everton Resources and Linear Gold on an adjacent property led to the discovery of a massive sulphide body only 120 metres from GlobeStar's concession boundary. This adjacent discovery hole, (labeled TBM-07), returned a massive sulphide intercept of 10.58 meters, grading 2.96 g/t gold, 104.91 g/t silver, 2.03% copper and 9.41% zinc beginning 14 metres below surface, although drilling is not yet sufficient to establish a true width.

On the Bayaguana group of concessions (Rincon Abajo, Managua and Trinidad concessions), the previous years' exploration efforts formed the basis of a new NI 43-101 compliant resource calculation for the Doña Amanda, Doña Loretta and Kiosko deposits which is discussed under the next section.

In August, the company commenced a 7 hole (737 m) diamond drilling program at the Cuancé Concession, located 12 kilometres east of the Cerro de Maimón development. The drill program is adjacent to the Everton/Linear Tres Bocas massive sulphide discovery. Globe Star's drill program was based on consolidating all geophysical and geological data and recent detailed mapping. Interpretation of ground Induced Polarization data by the independent geophysical consultants, Gerard Lambert Géosciences, Inc., proposes that conductive bodies plunge in a south easterly direction from the property boundary into the Cuancé concession for a distance up to 300 metres. Exploration on the Cuancé and adjacent Los Hojanchos concessions is fully funded by JV partner Everton Resources (EVR – TSX-V), who are spending US\$1.17 million over three years to earn a 50% interest in the properties. Everton

can earn an additional 20% by funding a feasibility study to bring the project into production. No significant results were encountered.

Nickel Exploration

In 2006, exploration also began on GlobeStar's nickel laterite concessions, focusing initially on the Company's 100%-owned C1 concession. A total of 65 NTW diamond drill holes have been completed in and around the Cumpié Hill area in 2006, resulting in the discovery of a zone of high-grade nickel mineralization. 45 of 65 diamond drill holes returned intercepts of nickel bearing laterite exceeding a 1% nickel cut-off, including:

- 19.81 m at 1.7% nickel in hole CM-LATD-02
- 16.76 m at 2.0% nickel in hole CM-LATD-09
- 18.28 m at 1.7% nickel in hole CM-LATD-11
- 16.78 m at 2.0% nickel in hole CM-LATD-12
- 19.41 m at 1.7% nickel in hole CM-LATD-21
- 25.9m at 1.6% nickel in hole CM-LATD-47
- 13.2m at 1.4% nickel in hole CM-LATD-43
- 9.7m at 1.5% nickel in hole CM-LATD-50
- 7.6m at 1.6% nickel in hole CM-LATD-48
- 11.0 m at 1.94 nickel in hole CMLATD-63
- 13.0 m at 2.01 nickel in hole CMLATD-64

By year end, 65 holes had been completed covering the Cumpié Hill area and on and surrounding Loma Mala. Results from 15 holes were pending.

Mapping and prospecting was done in other parts of the concessions. In the Cercadillo concession, which is located approximately 43 kilometres south of the Cumpié Hill nickel discovery a pit was sampled on the ridge-top with a grade of 2.2% nickel and 0.11% cobalt over 8 metres, including a 1 meter intercept of 4.0% nickel; the highest nickel interval the Company has discovered in the region to date. Limonite samples were recovered from two road cuts at the base of the ridge returning 0.84% nickel and 0.09% Cobalt and 0.90% nickel and 0.09% cobalt respectively, confirming the presence of nickel/cobalt limonite in the area which is being followed up by the Company's scout auger drilling program.

In the Corozal concession, located approximately 4 kilometres south of Cumpié Hill, the Company dug three shallow pits. Pit 2 averaged 1.7% nickel over 2.3 meters in Saprolite and bottomed in mineralization while the next two encountered limonite and also bottoming in mineralization. The Company's exploration program is progressing in two phases commencing with mapping and pitting, which has been partially completed which allows the Company to identify areas with nickel potential. The second phase consists of selecting areas for diamond drilling, where appropriate, to establish grades and thicknesses of the nickel and nickel/cobalt mineralization. No diamond drilling was carried out in either the Cercadillo or Corozal concessions in 2006, although some scout auger drilling was attempted, with limited technical success.

Mineral Inventory

No changes to the company's mineral inventory were made during the third or fourth quarters of 2006.

In 2005, the Company commissioned Datac Géo-Conseil Inc. of Val-Senneville, Québec to prepare a National Instrument 43-101 compliant resource estimate for several of its more advanced DR exploration projects, including Loma Pesada, Doña Amanda, Doña Loretta and Cerro Kiosko, as well as two smaller deposits (Cerro Verde and Anomaly B) located in the northwest of the country. Reserves and resources at the Cerro de Maimón project were not recalculated, as they were already up-to-date and 43-101 compliant. Details of the mineral inventory were in the Company's press release of February 23, 2006. A summary of the inventory is presented in the following table.

Summary table of contained metal in GlobeStar's Total Resource Inventory¹:

| GlobeStar's Dominican Republic Resource Inventory | | | | | | | | | | | |
|--|-----------------------|-------|----------------|------|--------|--------|------|------------------------|------------------|------------------|---------------|
| Measured and Indicated Resources | | | | | | | | Contained Metal | | | |
| Deposit | Cutting grade | Cat. | Million Tonnes | Cu % | Au g/t | Ag g/t | Zn % | Copper (tonnes) | Gold (ounces) | Silver (ounces) | Zinc (tonnes) |
| Maimón Area | | | | | | | | | | | |
| Cerro de Maimón | 1.0 g/t Au 1.0% CU | Meas. | 2.42 | 2.61 | 1.34 | 41.55 | 1.39 | 62,959 | 104,193 | 3,225,564 | 33,617 |
| | | Ind. | 2.46 | 2.43 | 1.01 | 34.30 | 1.57 | 59,777 | 80,008 | 2,717,411 | 38,660 |
| Bayaguana Group | | | | | | | | | | | |
| Kiosko | 0.35 g/t Au | Ind. | 0.57 | 1.01 | 1.93 | 4.20 | - | 5,707 | 35,057 | 76,290 | - |
| Northwestern Concessions | | | | | | | | | | | |
| Cerro Verde | 0.5 g/t Au | Ind. | 0.52 | 0.17 | 1.32 | 3.09 | - | 876 | 21,855 | 51,161 | - |
| Anomaly B | 1.0% Cu | Ind. | 0.31 | 1.81 | 1.10 | 12.37 | 1.34 | 5,521 | 10,786 | 121,294 | 4,087 |
| Total Measured + Indicated: | | | 6.26 | | | | | 134,838 | 251,899 | 6,191,719 | 76,364 |
| Inferred Resources | | | | | | | | Contained Metal | | | |
| Deposit | Cutting grade | Cat. | Million Tonnes | Cu % | Au g/t | Ag g/t | Zn % | Copper (tonnes) | Gold (ounces) | Silver (ounces) | Zinc (tonnes) |
| Maimón Area | | | | | | | | | | | |
| Loma Pesada | 1.0% Cu | Inf. | 1.09 | 2.22 | 0.16 | 4.36 | 0.77 | 24,154 | 5,597 | 152,505 | 8,378 |
| Bayaguana Group | | | | | | | | | | | |
| Kiosko | 0.35 g/t Au | Inf. | 4.36 | 0.98 | 2.01 | 5.17 | - | 42,728 | 281,742 | 724,681 | |
| Doña Amanda | 0.15% Cu | Inf. | 127.77 | 0.31 | 0.19 | 1.43 | - | 396,072 | 780,432 | 5,873,781 | |
| Doña Loretta | 0.25% Cu | Inf. | 8.20 | 0.50 | - | - | - | 41,005 | | | |
| Total Inferred: | | | 141.41 | | | | | 503,958 | 1,067,771 | 6,750,967 | 8,378 |

One of the Company's goals is to increase its resource inventory through continued exploration on the various concessions in the Dominican Republic.

¹ Includes previously disclosed inventory at Cerro de Maimón as well as newly confirmed estimates in the Report.

The following table sets forth the mining properties of the Company by summarizing the type, ownership, expenditures in 2006 and the total amount capitalized on the balance sheet as of December 31, 2005.

Mining Properties

| <u>Property</u> | <u>Capitalized Expenditures During 2006</u> | <u>Total Costs Capitalized at Dec. 31, 2005</u> | <u>Type</u> | <u>% Owned</u> |
|----------------------------|---|---|---------------------|----------------|
| <u>Canada:</u> | | | | |
| Moblan-Quebec | \$21,181 | \$128,870 | Industrial Minerals | 100% |
| <u>Dominican Republic:</u> | | | | |
| Maimón and Cerro de Maimón | \$ 8,763,782 | \$ 5,566,897 | Copper & gold | 100% |
| Managua | \$ 0 | \$ 3,112,885 | Gold & copper | 100% |
| Trinidad | \$ 2,090 | \$ 659,388 | Gold & copper | 100% |
| Rincón Abajo | \$ 2,270 | \$ 257,485 | Gold & copper | 100% |
| Cuancé | \$ 33,474 | \$ 90,803 | Gold & Base Metals | 100% |
| Los Hojanchos | \$ 19,257 | \$ 61,224 | Gold & Base Metals | 100% |
| El Anón | \$ 385 | \$ 7,528 | Gold | 100% |
| Jatubey | \$ nil | \$ 1,486 | Gold | 100% |
| Barbuito | \$ nil | \$ 6,411 | Copper & gold | 100% |
| Laterita Cerro de Maimón | \$ 134,387 | \$ 17,834 | Nickel | 100% |
| Other | \$ 38,197 | \$ 7,162 | Base Metals | 100% |

Liquidity and Capital Resources

Working Capital

GlobeStar had working capital of \$19,032,817 at December 31, 2006 (compared to working capital of \$669,809 as at December 31, 2005) consisting primarily of cash and cash equivalents and short-term investments. The increase in working capital is attributable to the higher balance in cash and cash equivalents and in the investment in deposit certificates. The Company finances its operations and investments primarily through the issuance of share capital and advances from shareholders. There can be no assurance that additional funds will be available at any given time in the future.

Operating Activities

Cash flows used in operating activities during the year ended December 31, 2006 were \$844,301 compared to cash flows used of \$1,307,843 for the corresponding year in 2005.

For the year 2006, cash flows used in operating activities were due to the items not affecting cash and equivalents of \$2,090,059 (primarily the amortization of deferred charges of \$951,624), and cash flows from non-cash working capital items of \$1,245,758 (primarily change in accounts payable and accrued liability of \$1,438,275).

For the year 2005, cash flows used in operating activities were primarily due to the items not affecting cash and equivalents of \$1,245,758 and cash flows from non-cash working capital items of \$2,738.

Financing Activities

Cash flows from financing activities during the year ended December 31, 2006 were \$27,841,138, compared to cash flows of \$2,877,679 for the prior year ended 2005.

For the year 2006, cash flows from financing activities were primarily due to issuance of shares of \$27,841,138.

For the year 2005, cash flows from financing activities were primarily due to financing received of \$3,040,757 from an issuance of share capital.

Investing Activities

Cash flows used in investing activities were \$5,943,394 for the year ended December 31, 2006 compared to cash flows used in investing activities of \$1,727,983 for the prior year ended.

For the year 2006, cash flows used in investing activities were primarily due to the acquisition of mining properties of \$8,418,060.

For the year 2005, mining properties were acquired for \$1,629,237.

Balance Sheet

Assets

The Company had consolidated assets totaling \$41,238,934 at December 31 2006 as compared to \$12,142,758 as at December 31, 2005.

As previously discussed, the majority of the assets of the Company of \$18,793,038 are capitalized in Mining Properties (compared to \$9,917,973 as at December 31, 2005).

These properties were listed above by name, cost, type and location.

Long term liabilities

The Company incurred a long term debt in the first quarter 2006 in the amount of \$4,980,150, which matures December 31, 2008, however this debt was repaid on August 29, 2006. The Company has no long term debts as at December 31, 2006. The Company had no long term debts at December 31, 2005.

Capitalization

The Company had 77,734,050 common shares outstanding at December 31, 2006 as compared to common shares outstanding as at December 31, 2005 of 50,365,900 shares. The majority of the increase relates to the issuance of 26,086,900 shares. The increase also relates to 1,031,250 exercised warrants during the year ended December 31, 2006, as well as 250,000 options exercised.

As at December 31, 2006 the Company's fully diluted common shares were 91,771,933 (which compares to the fully diluted amount outstanding at December 31, 2005 of 59,594,031 common shares). The potential dilution comes from 6,273,131 stock options issued to officers, directors, employees and consultants (at weighted average exercise price of \$0.78) and 7,764,752 warrants outstanding at December 31, 2006 (at weighted average exercise price of \$0.65).

As at December 31, 2005 the Company's fully diluted share capital was 59,594,031. The potential dilution would have been from 5,075,000 warrants outstanding at 2005 year end (at weighted average exercise price of \$0.49) and 4,153,131 stock options issued to officers, directors, employees and consultants (at weighted average exercise price of \$0.61).

Subsequent Event

On January 10th, 2007 the common shares of the company began trading on the TSX and were de-listed from and ceased trading on the TSX Venture exchange.

Changes in Accounting Policies

There have been no changes in accounting policies since the Company's most recent year ended December 31, 2006.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the Annual Statements include the Company's estimate of the recoverable value of its resource properties as well as the value of stock-based compensation. Both of these estimates could be significantly affected by factors that are out of the Company's control.

Resource properties are recorded at cost. All acquisition, exploration and related overhead expenditures are recorded as an asset on the balance sheet under the heading "Mining properties". These expenditures will be depleted over the estimated life of the properties if and when they reach production or will be written down by management when it is determined that the net carrying amount will not be recovered.

The amount expensed for stock-based compensation was based on the application of a recognized option valuation formula, which is highly dependent on the expected volatility of the Company's shares. The Company uses an expected volatility rate for its shares of 60%. This is an estimate only based on past stock trading data and actual volatility may be significantly different. While the estimate of stock-based compensation can have a material impact on the operating results reported by the Company, they are a non-cash charge and as such have no impact on the Company's financial condition.

Beginning January 1, 2007 new standards regarding financial instruments disclosure and presentation will take effect. Upon consideration of this new standard the company has concluded that this will not impact significantly on its financial statements.

Financial Instruments and Off Balance Sheet Arrangements

The Company has not entered into any specialized financial agreements to minimize its investment, currency or commodity risks. There are no off-balance sheet arrangements. The principal financial instruments used by the Company are short-term deposits or debt obligations, which are acquired to enhance the returns on the Company's cash position. The Company considers these instruments to be very low risk in nature. The fair value of these instruments approximates their carrying costs, unless otherwise noted in the financial statements.

Risk and Uncertainties

The mining industry is competitive and, in addition, the company is exposed to other risks including the following:

- Exploration risks that commercially viable minerals be discovered;
- Commodity risks of mineral prices in the world;
- Financing risks of future capital generation that may be required; and,
- Political and currency risks of the company doing business outside of Canada and in the Dominican Republic; and,
- Shortage of critical equipment, supplies and qualified professionals.

Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Other than Cerro de Maimón, none of the Company's properties has a known body of commercial ore. Other risks facing the Company include: political stability in the Dominican Republic; changes in legislation in the Dominican Republic that could affect exploration and mining rights as well as taxation and royalties; fluctuations in mineral prices; ability to attract and retain qualified personnel; availability of additional capital; costs and availability of materials and services relevant to the mining industry; title risks; and integrity of exploration results.

Agreements, commitments and contingencies

- a) In May 2006, the Company executed an agreement with Everton Resources Inc. (EVR.V) to acquire 100%-ownership of the Corozal and Cercadillo nickel laterite concessions, which had previously been held under a 50:50 joint venture with Everton. Under the arms-length agreement with Everton, GlobeStar exchanged its 100% interest in the "La Mireya" concession in the eastern portion of the country in exchange for (i) Everton's 50% joint venture interest in the Corozal and Cercadillo nickel laterite concessions and (ii) formal title to the Cercadillo concession, resulting in GlobeStar's undivided 100% ownership of the two nickel laterite concessions. Everton will retain a 1% NSR on Corozal and Cercadillo while GlobeStar will retain a 2% NSR on La Mireya. GlobeStar and Everton also each have the right to purchase half of the other's NSR at any time for US\$500,000. This transaction closed July 26, 2006.
- b) In May 2006, the company signed an agreement with Energold Drilling Corporation to earn up to a 100% interest in any nickel laterite deposits within the Elsa 1, Loma Cambronal, La Parcela and Loma Bambara concessions. The company may earn an initial 75% interest by

completing a US\$900,000 work program and making payments of US\$50,000 per year for three years. The company has the right to purchase Energold's remaining 25% interest for a payment of US\$500,000, converting its interest into a 2% smelter return which can be halved for US\$1,000,000 at anytime. Any payment may be made in cash or in shares.

- c) On November 20, 2006 the Company announced that it signed a Letter of Intent with Met-Chem Canada Inc. as the Lead Engineer for the Cerro de Maimón Project in the Dominican Republic. Met-Chem Canada Inc. will be assisted by RSW International Consulting Engineers and Micon International Ltd to perform the "EPCM" Service Contract for basic and detailed engineering, procurement and construction management of the construction of a processing plant and related facilities for the Cerro de Maimón Project.
- d) Golder and Associates have been retained to complete the geotechnical and environmental studies, including designing the waste and tailings facilities, the water management plan and to prepare the environmental management plan, complementing the Met-Chem EPCM group.

Management's Responsibility for Financial Statements

The information in this annual financial report is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian general accepted accounting principles (GAAP) and in accordance with the accounting policies set out in notes to the consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that reasonable care and judgment are applied in making such estimates and assumptions.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly, principally by submission of the financial statements, before and after their consolidation, to the Board of Directors for approval.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through ongoing discussion with management, who reviews the consolidated financial statements with independent auditors, PricewaterhouseCoopers LLP/s.r.l/s.e.n.c.r./e, prior to submission to the Board for approval.

The company's external auditors, PricewaterhouseCoopers LLP, have audited the financial statements for the year ended December 31, 2006 and have expressed an opinion thereon.

Disclosure Control and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures and controls to ensure

integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Company has a Disclosure Policy and Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information.

As required by Multilateral Instrument 52-109, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures and internal control over financial reporting was conducted as of December 31, 2006 and under the supervision of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were operating effectively as of December 31, 2006.

There have been no changes in internal controls over financial reporting during the year ended December 31, 2006 that have materially affected, or are reasonable likely to materially affect, the Company's internal controls over financial reporting.

Forward Looking Statements

The above contains forward looking statements that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in our forward looking statements. Shareholders and prospective investors should not place undue reliance on forward-looking information and should bear in mind the risks and uncertainties outlined above under "Risks and Uncertainties".

Additional Information

Additional information relating to Globestar can be found elsewhere in the Interim Statements, the Annual Statements and other public filings, all of which are available for viewing on SEDAR at www.sedar.com, including the Annual Information Form.

April 30, 2007

(Signed) William J. Fisher
William J. Fisher
Chief Executive Officer

(Signed) David W. Massola
David W. Massola
Chief Financial Officer