



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE THREE MONTHS ENDED JULY 31, 2011

(In Canadian Dollars, unless otherwise noted)

NOTICE TO READERS

Notice of No Audit Review of the Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

REDZONE RESOURCES LTD.
(An Exploration Stage Company)
Condensed Consolidated Interim Balance Sheets (unaudited)
As at

(expressed in Canadian dollars)

	Note	July 31 2011 \$	April 30 2011 \$	May 1 2010 \$
Assets				
Current				
Cash		3,405,877	3,552,751	5,353,944
Receivables		14,117	15,844	11,667
Prepaid expenses and advances		19,830	48,205	19,737
		3,439,824	3,616,800	5,385,348
Equipment		2,609	2,902	3,114
Deferred acquisition costs	5	1,280,868	1,280,868	85,214
		4,723,301	4,900,570	5,473,676
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities	8	130,309	80,970	124,953
Shareholders' equity				
Share Capital	6	6,752,640	6,746,295	6,352,105
Contributed surplus	6	1,004,298	807,572	597,542
Deficit		(3,163,946)	(2,734,267)	(1,600,924)
		4,592,992	4,819,600	5,348,723
		4,723,301	4,900,570	5,473,676

Commitments and contingencies (note 10)

On behalf of the Board:

"Michael Murphy" Director "Colin Benner" Director

The accompanying notes are an integral part of these consolidated financial statements

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Comprehensive Loss (unaudited)

For the three months ended July 31

(expressed in Canadian dollars)

	Note	2011	2010
		\$	\$
Mineral property exploration costs		25,724	-
Operating Expenses			
Amortization		293	294
Professional fees		10,462	61,391
Business investigation costs		38,388	60,803
Investor relations		2,807	47,569
Consulting fees		9,065	3,489
Management salaries and benefits	8	68,135	31,789
Office facilities and administration	8	71,050	38,817
Share-based compensation	6	199,321	65,237
Shareholders' information, transfer agent, listing and filing fees		13,209	62,066
Loss before other item		(438,454)	(371,455)
Other item			
Interest income		8,775	4,656
Loss and comprehensive loss for the period		(429,679)	(366,799)
Loss per share			
Basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding			
Basic and diluted		42,846,434	42,273,028
Number of common shares as at July 31, 2011			
Fully paid and outstanding		42,868,137	42,543,137
Potentially dilutive options and warrants issued and outstanding		9,666,617	7,866,617

The accompanying notes are an integral part of these consolidated financial statements

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)*(expressed in Canadian dollars)*

	Common Shares	Share Capital \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, May 1, 2011	42,843,137	6,746,295	807,572	(2,734,267)	4,819,600
Shares issued on exercise of options	25,000	3,750	-	-	3,750
Fair value on exercise of options	-	2,595	(2,595)	-	-
Share-based payments	-	-	199,321	-	199,321
Net loss for the period	-	-	-	(429,679)	(429,679)
Balance, July 31, 2011	42,868,137	6,752,640	1,004,298	(3,163,946)	4,592,992
Balance, May 1, 2010	42,153,137	6,352,105	597,542	(1,600,924)	5,348,723
Shares issued on exercise of warrants	290,000	174,000	-	-	174,000
Shares issued for deferred acquisition costs	100,000	65,000	-	-	65,000
Share-based payments	-	-	65,237	-	65,237
Net loss for the period	-	-	-	(366,799)	(366,799)
Balance, July 31, 2010	42,542,137	6,591,105	662,779	(1,967,723)	5,286,161

The accompanying notes are an integral part of these consolidated financial statements

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash flows (unaudited)

For the three months ended July 31, 2011 and 2010

(expressed in Canadian dollars)

	2011	2010
	\$	\$
Cash Flows From Operating Activities		
Loss for the period	(429,679)	(366,799)
Items not involving cash:		
Amortization	293	294
Share-based payments	199,321	65,237
Changes in non-cash working capital items:		
Receivables	1,727	(9,694)
Prepaid expenses and advances	28,375	(45,850)
Accounts payable and accrued liabilities	49,339	(60,704)
Net cash used in operating activities	(150,624)	(417,516)
Cash Flows From Investing Activities		
Purchase of equipment	-	(962)
Deferred acquisition costs	-	(39,664)
Net cash used in investing activities	-	(40,626)
Cash Flows From Financing Activity		
Issuance of common shares, net of issuance costs	3,750	174,000
Net cash (used) provided by financing activity	3,750	174,000
Change in cash for the period	(146,874)	(284,142)
Cash, beginning of period	3,552,751	5,353,944
Cash, end of period	3,405,877	5,069,802
Supplementary cash flow information		
Cash received for interest	8,775	4,656
Non-cash investing activities		
Issuance of shares for deferred acquisition costs	-	65,000

The accompanying notes are an integral part of these consolidated financial statements

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

For the three months ended July 31, 2011

1. Nature of operations

The Company was incorporated as Redzone Capital Corp. under the Business Corporations Act (Alberta) on December 23, 2005. On March 3, 2006, the Company was renamed Redzone Resources Ltd. ("the Company"). On October 13, 2009, the Company incorporated a wholly owned subsidiary, Compania Minera Oyamel, S.A. de C.V. ("RZ Mexico"). The principal business activities of the consolidated Company include the acquisition and exploration of mineral properties. The Company's corporate head office is located at Suite 1030 – 885 West Georgia Street, Vancouver, British Columbia, Canada. The Company's shares are listed on the Toronto Stock Exchange.

2. Basis of preparation**Statement of compliance and conversion to International Financial Reporting Standards**

These condensed interim consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the three months ended July, 2011 and 2010.

Previously, the Company prepared its consolidated interim financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 and IFRS 1. Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at May 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of October 7, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the company's annual consolidated financial statements for the year ending April 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended April 30, 2011. Throughout these condensed interim consolidated financial statements additional disclosures relating to the year ended April 30, 2011 are provided in accordance with IFRS where material to an understanding of these condensed interim consolidated financial statements.

REDZONE RESOURCES LTD.

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Notes to Condensed Consolidated Interim Financial Statements (unaudited)

For the three months ended July 31, 2011

First-time adoption exemptions applied and reconciliations

The Company adopted IFRS on May 1, 2011 with a transition date of May 1, 2010 (the "Transition Date"). Under IFRS 1 *'First-time Adoption of International Financial Reporting Standards'*, the IFRS are applied retrospectively at the Transition Date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain mandatory and optional exemptions are applied. The Company has elected not to take any of the IFRS 1 optional exemptions.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of May 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

The reconciliation between the Canadian GAAP and IFRS equity as at May 1, 2010, July 31, 2010 and April 30, 2011 is provided below:

	May 1, 2010	July 31, 2010	April 30, 2011
	\$	\$	\$
Equity under Canadian GAAP	5,348,723	5,286,161	4,819,600
Adjustment	-	-	-
Equity under IFRS	5,348,723	5,286,161	4,819,600

The reconciliation between the Canadian GAAP and IFRS total comprehensive loss for the periods ended July 31, 2010 and April 30, 2011 is provided below:

	Three Month Period ended July 31, 2011	Year Ended April 30, 2011
	\$	\$
Comprehensive loss under Canadian GAAP	366,799	1,133,343
Adjustment	-	-
Comprehensive loss under IFRS	366,799	1,133,343

Basis of presentation

The Company's condensed consolidated interim financial statements have been prepared on the historical cost basis. The comparative figures presented in these condensed consolidated interim financial statements are in accordance with IFRS. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

REDZONE RESOURCES LTD.

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Notes to Condensed Consolidated Interim Financial Statements (unaudited)

For the three months ended July 31, 2011

3. Significant accounting policies**Basis of consolidation**

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Compania Minera Oyamel, S.A de C.V. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

Foreign currencies

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income. When a gain or loss on a non-monetary item, such as equities, is recognized in other comprehensive income, any exchange component of that gain or loss shall be recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item, namely equity, is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in income or loss.

The results and financial position of any subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency. The assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, the income and expenses for each statement of income are translated at average exchange rates and all resulting exchange differences are recognized as other comprehensive income.

When the Company disposes or loses control in a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized into income. If an entity disposes of part of an interest in a foreign operations which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

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For the three months ended July 31, 2011

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company has designated its cash as FVTPL, its receivables and prepaid expenses and advances as loans and receivables, which are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. At July 31, 2011, the Company had neither available-for-sale nor held-to maturity financial assets.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss).

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in earnings or loss in the period in which they arise. The net gain or loss recognized in income or loss excludes any interest paid on the financial liabilities.

The Company has designated its accounts payable and accrued liabilities as other financial liabilities, which are included in current liabilities due to their short-term nature. At July 31, 2011, the Company did not have any FVTPL financial liabilities.

Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in income or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income or loss.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

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For the three months ended July 31, 2011

Deferred acquisition costs

The Company is in the exploration stage and defers all costs related to the acquisition of mineral properties. This includes payments relating to property acquired under an option or joint venture agreement. The costs are deferred until such time as the properties are put into commercial production, impaired, sold or abandoned. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as deferred acquisition represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

The Company reviews the capitalized costs on its properties each reporting period and will recognize impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of costs of deferred acquisition is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

Exploration costs that are not acquisition costs or attributable to specific property are charged to operations as reconnaissance expense. Exploration costs incurred prior to the Company acquiring the legal rights to a property are charged to operations as mineral property exploration costs.

Although the Company has taken steps to verify 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 and regulatory requirements.

Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

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For the three months ended July 31, 2011

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligation as the disturbance to date is minimal.

Share-based payments

The Company has established a stock option plan for the benefit of employees, officers, directors and consultants of the Company.

The fair value of all stock options granted is recorded as a charge to operations or deferred exploration costs and a credit to contributed surplus under the graded attribution method. The fair value, as adjusted for the expected level of vesting of the options and of stock options which vest immediately is recorded at the date of grant; the fair value, as adjusted for the expected level of vesting of the options and of options which vest in the future is recognized over the vesting period. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as share-based payment expense from the date of grant to the reporting date and credited to contributed surplus. Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

Income tax

Income tax on the income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The Company has not recognized any deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

REDZONE RESOURCES LTD.

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For the three months ended July 31, 2011

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Earnings (loss) per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. During the three months ended July 31, 2011 and 2010, the calculation of basic and diluted loss per share is the same.

Judgments, estimates and measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make significant estimations or where measurements are uncertain are as follows:

Mineral properties

The measurement, depletion and impairment of mineral properties are based on various judgments and estimates. These include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties.

The Company has engaged a recognized engineering firm to conduct its feasibility study for the Gibellini property, but differences between actual reserves, mineral pricing and costs could adversely affect the feasibility or carrying value of this property.

Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matter that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

REDZONE RESOURCES LTD.

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Deferred tax assets are recognized to the extent that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iii. Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

4. Accounting standards issued but not yet applied

Amendments to IFRS 7 "Financial Instruments: Disclosures"

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011.

New standard IFRS 9 "Financial Instruments"

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39, "Financial Instruments: Recognition and Measurement", and applies to the classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. The IASB is currently addressing hedge accounting and derecognition. The completion of the project is expected in 2011.

New standard IFRS 10 "Consolidated Financial Statements"

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates in its subsidiaries. The standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

New standard IFRS 11 "Joint Arrangements"

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

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IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

The Company has not applied the new and revised IFRS that have been issued but are not yet effective. These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements.

5. Mineral Properties

Lara and Tingo Este Properties

On February 12, 2010, the Company acquired the right to earn up to a 75% indirect interest in two copper properties ("Lara" and "Tingo Este") from Lara Exploration Ltd. ("Lara Exploration") via earning into Minas Dixon BVI ("Minas"), a wholly owned subsidiary of Lara Exploration.

The first option to earn 55% of all the securities of Minas requires the Company to allot and issue to Lara Exploration:

- 100,000 common shares within seven days after the acceptance of the agreement by the Toronto Stock Exchange (issued on June 2, 2010, valued at \$65,000);
- a further 250,000 common shares on or before February 12, 2011 (issued on February 9, 2011, valued at \$142,500);
- a further 250,000 common shares on or before February 12, 2012;
- a further 250,000 common shares on or before February 12, 2013;

and funding Minas:

- US\$500,000 on or before the first anniversary of the date upon which all drilling permits required to conduct the proposed exploration on Lara and Tingo Este are obtained;
- A further US\$1,000,000 on or before the second anniversary of the Permit Date;
- A further US\$1,000,000 on or before the third anniversary of the Permit Date.

Initial permits were obtained on October 26, 2010 (the "Permit Date"), and the Company is in compliance with its payment obligations as at July 31, 2011. \$1,073,368 (US\$1,066,603) has been paid and an additional US\$360,000 was paid subsequent to July 31, 2011. US\$1,066,603 was paid as of April 30, 2011.)

If the first option is exercised, the Company may decide within 60 days of exercising to elect to exercise a second option to earn a further 20% of all the securities of Minas by funding a bankable feasibility study to completion and paying US\$1,500,000 to Lara Exploration on or before December 31, 2014. Additionally, Tinka Resources retains a 1% net smelter royalty on all production on the Tingo Este property.

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For the three months ended July 31, 2011

A summary of deferred acquisition costs incurred during the three months ended July 31 2011, with comparative periods, includes the following:

	\$
Deferred acquisition costs, May 1, 2010	85,214
Exploration costs incurred during period	988,154
Fair value of common shares issued during period	207,500
Deferred acquisition costs, April 30, 2011	1,280,868
Exploration costs incurred during period	-
Fair value of common shares issued during period	-
Deferred acquisition costs, July 31, 2011	1,280,868

Mineral property exploration costs

\$17,575 of geological consulting was expensed relating to the Lara properties for the three months ended July 31, 2011 (2010 - \$ nil) and \$8,149 (2010 - \$nil) in associated travel costs.

Las Palmas Properties

On July 7, 2011, the Company executed a termination agreement whereby the Company and Minera Teck, S.A de C.V have terminated all obligations relating to the Las Palmas properties. No mineral property expenditures had been capitalized for the property and there were no expenses relating to the Las Palmas property for the three months ended July 31, 2011 and 2010.

6. Share Capital**Authorized**

Unlimited common shares, without par value
Unlimited preferred shares, issuable in series

Warrants

Warrant transactions are summarized as follows:

		Weighted Average Exercise Price
Issued and exercisable as at July 31, 2011 and April 30, 2011	5,091,617	\$0.65

At July 31, 2011 the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Warrants	4,813,944	\$0.65	March 24, 2012
Broker warrants	277,673	\$0.65	March 24, 2012

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Stock options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

For the three months ended July 31, 2011, the Company granted 1,000,000 (2010 - 175,000) stock options of which all were fully vested upon issuance and 800,000 options were granted outside of the plan. The total stock-based compensation calculated under the fair value method using the Black-Scholes option-pricing model was \$199,321 (2010 - \$65,237) which was charged to the statement of operations.

The following weighted average assumptions were used for the Black-Scholes valuation:

Risk-free interest rate	1.43%
Expected life of options	2 years
Annualized volatility	104%
Dividend rate	0.00%

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

1,000,000 stock options were granted to external advisors in the past but remain unvested as at July 31, 2011. These options vest on the achievement of certain milestones and deliverables in accordance with the terms of the service contract. Refer to Note 10 for further details.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at April 30, 2011	3,600,000	\$0.51
Granted	1,000,000	\$0.38
Exercised	(25,000)	\$0.15
As at July 31, 2011	4,575,000	\$0.48
Exercisable – July 31, 2011	3,575,000	\$0.42

The weighted average fair value of the 1,000,000 (2010 – 675,000) options granted was \$0.20 (\$0.10) per option.

During the three months ended July 31, 2011, the weighted average trading price per share as traded on the TSX on the days that options were exercised was \$0.48 per share. No options were exercised in the three months ended July 31, 2010.

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At July 31, 2011 the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
100,000	100,000	\$0.15	March 8, 2012
1,925,000	1,925,000	\$0.42	January 14, 2015
500,000	-	\$0.66	May 17, 2015
150,000	150,000	\$0.55	July 15, 2015
200,000	200,000	\$0.55	August 13, 2015
500,000	-	\$0.72	March 1, 2016
200,000	200,000	\$0.59	November 4, 2015
800,000	800,000	\$0.35	June 15, 2016
200,000	200,000	\$0.48	July 20, 2016

7. Financial Instruments**Fair Value of Financial Instruments**

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

The Company does not have any financial instruments measured at fair value under level 2 or level 3. The Company's cash balance is measured at fair value under level 1.

Risk Exposures

The Company's financial instruments consist of cash, receivables, prepaids and advances and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company's receivables are primarily from government agencies and are subject to certain risks that would be considered normal in this environment. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2011, the Company had a cash balance of \$3,405,877 to settle current liabilities of \$130,308. All of the Company's normal financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

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The Company entered into an agreement to acquire interests in two copper properties which requires it to spend US\$2,500,000 over three years. As of the end of July 2011, the Company has incurred property expenditures in excess of US\$1,000,000 and continues to operate under the agreement's terms.

As at July 31, 2011, the Company has adequate capital to meet its anticipated operating expenditures for the next 12 months. The Company will need additional financing to acquire its interests in these properties and to bring the assets into production.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is in a chequing account with a major Canadian bank and therefore there is currently minimal interest rate risk.

Foreign currency risk

As at July 31, 2011, the Company has approximately US\$1,500,000 of option expense obligations relating to the acquisition of interests in mineral properties and therefore is exposed to foreign currency risk. An increase or decrease of \$0.01 in exchange rates will increase or decrease the purchase price by approximately \$15,000.

Upon the acquisition of the Company's interests in the mineral properties, the Company will have exposure to foreign currency risk since the properties are located in Peru.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

8. Related Party Transactions

During the three months ended July 31, 2011 and 2010, the Company incurred the following expenditures charged by directors and a company with a director in common:

	2011	2010
	\$	\$
Administrative fees	12,000	12,000
Property investigation services	-	761
	12,000	12,761

Included in accounts payable and accrued liabilities at July 31, 2011 is \$51,519 (April 30, 2011 - \$13,518) due to related parties.

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Key management includes the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer. Compensation paid or payable to key management for services provided during the three months ended July 31, 2011 and 2010 was as follows:

	2011	2010
	\$	\$
Management salaries and benefits	67,500	31,789
Share-based payments	-	54,347
	67,500	86,136

9. Capital Management

The Company's objectives in managing its capital (items included in shareholders' equity) are to fund the acquisition and exploration of mineral properties and to meet its administrative and corporate activities to ensure that the Company continues as a going concern.

The Company has historically relied on equity financings to raise sufficient funds to carry out its exploration and acquisition activities any pay its administrative costs. Therefore, the Company intends to raise additional funds as required to carry out its planned activities.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, or acquire or dispose of assets.

As at July 31, 2011, the Company had no bank indebtedness or long-term debt and the Company is not subject to any externally imposed capital requirements.

10. Commitments and Contingencies

Lease Commitment

The Company entered a sublease on office space for the period of February 1, 2010 to November 29, 2011. The estimated liability for rent and expenses from August 1, 2011 to November 29, 2011 is \$20,000.

Contingencies

On May 17, 2010, the Company entered into an agreement for business advisory services with a third party. Pursuant to the terms of the agreement, part of the payment for services rendered include the issuance of 500,000 stock options, entitling the service provider to acquire one common share of the Company at a price of \$0.66 per common share for a period of five years from the date of grant. The options granted vest and become exercisable on the day following the successful completion of specific milestones and deliverables, as set out in the agreement. Subsequent to July 31, 2011 the agreement has been terminated and the options forfeited.

On March 1, 2011, the Company entered into an agreement for advisory services with a third party. Pursuant to the terms of the agreement, payment for services rendered includes the grant of 500,000 stock options at the exercise price of \$0.72 per common share for a period of five years from the date of grant. The options vest and become exercisable on the day following the successful completion of specific deliverables, as set out in the agreement.

The Company has approved compensation packages to related parties. On the completion of a new acquisition, with a minimum value of \$250,000,000, bonuses of up to a maximum of \$4,000,000 cash, 1,000,000 restricted share units and 8,000,000 options could be paid.