



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2011**

**INTRODUCTION**

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended October 31, 2011 ("MD&A") has been prepared as of December 6, 2011. It should be read in conjunction with the unaudited condensed interim consolidated financial statements of Redzone Resources Corp. (the "Company") for the three and six months ended October 31, 2011 (the "October 2011 Interim Financial Statements") together with the Company's audited consolidated financial statements for the year ended April 30, 2011, and the accompanying management's discussion and analysis for the fiscal year then ended ("the Annual MD&A"). The audited consolidated financial statements for the year ended April 30, 2011 were prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company has adopted IFRS effective May 1, 2011, with a transition date of May 1, 2010. Accordingly, the October 2011 Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements.

All amounts are expressed in Canadian dollars unless otherwise indicated.

Subject to certain transition elections disclosed in Note 2 to the July 31, 2011 Interim Financial Statements, the Company has consistently applied the same accounting policies in its opening IFRS balance sheet at May 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Discussion provided elsewhere herein and in note 4 of the October 31, 2011 Interim Financial Statements discloses the impact of the transition to IFRS on the Company's reported assets, liabilities and shareholders' equity, including, if any, the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended April 30, 2011.

Additional information relevant to the Company's activities, including the Company's Annual Information Form, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company's principle business activities include the acquisition and exploration of mineral properties, with its head office located in Vancouver, British Columbia, Canada. It is a reporting issuer in British Columbia, Alberta and Ontario. On June 22, 2010, Redzone commenced trading its common shares on the Toronto Stock Exchange ("TSX"), under the symbol REZ.

## HIGHLIGHTS

### Results of Operations

The net loss for the three and six months ended October 31, 2011 was \$308,984 and \$738,663 compared to \$227,457 and \$594,255 for the comparative periods in 2010. At October 31, 2011, the Company had working capital of \$2,773,911 compared to \$3,535,830 at April 30, 2011. The Company had cash of \$2,796,105 at October 31, 2011, compared to \$3,552,751 at April 30, 2011.

### Lara Property

The Company has started a drill program at the Lara Property, located in the Porphyry Copper belt of Peru, to test the enlarged porphyry system identified last year through IP and Magnetic surveying. To cover the costs of the drilling program, the Company made a US \$320,000 payment pursuant to the option agreement on the Lara Property and subsequently to October 31, 2011 the Company made an additional payment of US \$375,000.

The Company expects to complete the drilling program by the end of December 2011 and prepare an updated NI 43-101 by the end of its fiscal year, April 30, 2012.

### Las Palmas Property

The Company had not been able to successfully enter into a land access agreement with local communities. As of July 7, 2011, a termination agreement was signed with Minera Teck S.A. de C.V. to release the Company from any further obligations regarding Las Palmas. No mineral property expenditures had been capitalized for the property and there were no expenses relating to the Las Palmas property for the six months ended October 31, 2011 and 2010.

### Management Changes

As of July 31, 2011, Ms. Pauline Pasetka resigned as Chief Financial Officer and Rebecca Moriarty was appointed. On August 26, 2011 Neil Halldorson resigned as Chief Operating Officer. The CEO, Michael Murphy, has assumed the duties of the COO and there are no current plans to replace Mr. Halldorson.

## MINERAL PROPERTIES

### Lara and Tingo Este Properties

The Company entered into an Option Agreement on February 12, 2010 to acquire the right to earn up to 75% 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( “Permit Date”);
- 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.

Permits were obtained on October 26, 2010 (the “Permit Date”) and the Company has since made payments to Minas of US\$1,386,603 (US\$1,066,603 as of April 30, 2011) and as such is in compliance with its payment obligations pursuant to the Option Agreement as at October 31, 2011. Subsequent to October 31 2011 a further US \$375,000 was paid.

If the first option is exercised, the Company may elect 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.

A summary of deferred acquisition costs incurred during the six months ended October 31<sup>st</sup> includes the following:

	2011	2010
	\$	\$
Deferred acquisition costs, April 30,	1,280,868	85,214
Exploration costs incurred during period	320,000	39,664
Fair value of common shares issued during period	-	65,000
Deferred acquisition costs, October 31,	1,600,868	189,878

The Company made a \$320,000 payment to Minas during the six months ended October 31, 2011 for costs incurred on the 2011-2012 drilling program. Subsequent to October 31, 2011 the Company made an additional payment of US \$375,000 to Minas for the 2011-2012drilling program.

### Mineral property exploration costs

During the three and six months ended October 31, 2011 the Company expensed geological consulting expenses relating to the Lara properties of \$7,300 and \$24,875 respectively (2010 - \$nil) and \$1,257 and\$9,406 (2010 - \$nil) in associated travel costs.

### Lara Property

The Lara Property is made up of two porphyry centers known as Lara and Socos. They have been delineated with a corridor of hydrothermal alteration extending over several kilometers. Preliminary metallurgical test work, completed in the late 1990’s, indicates that the enriched zone of the Lara deposit is amenable to low cost solvent extraction and the electro-winning processing.

In July 2010, an updated NI 43-101 technical report was filed on SEDAR for the Lara Property. The updated technical report was authored by Simon J. Meldrum, Consulting Geologist, and dated March 1<sup>st</sup>, 2010. In preparation of the new technical report, Mr. Meldrum re-logged all of the diamond drill core, re-compiled and re-coded the RC drill logs and collated the geological database including 251 drill hole log records and 61 field samples. He concluded that the overall mineralizing system is larger than the current mineral resource estimate indicates, with the secondarily enriched portion of the deposit open to the east and west and the primary mineralization open in all directions. Most notably, a large portion of the core of the deposit and the Socos copper target remain untested by drilling.

Redzone completed an 11 hole diamond drill program totaling 1,997 metres in late 2010 and early 2011. The goal of the program was to build on the 1990s reverse circulation/diamond drill holes to determine the potential for higher copper grades and increased tonnage. The 2010-2011 drill program successfully

expanded both the supergene and hypogene mineral potential of the property. The full results of the 2010-2011 drill program can be obtained from a press release dated February 22, 2011 on SEDAR.

The Company has started its 2011-2012 drilling program at the Lara Property to test the extension of the deposit as demonstrated in the 2010 drill campaign and the new targets identified from the geophysical surveys. The Company has budgeted US \$1.43 million to spend on drilling 5,300 metres (approximately 12 holes) which will fulfill the terms to exercise the Company's option to acquire 55% of the project.

The Company has mobilized geologists and a field team to the project to complete site preparation. The same drilling contractor who completed the 2010-2011 drilling program has started drilling. Seven holes will verify the east side in Socos, three holes will test the west part of the main Lara zone and two holes will verify the northern part of Lara.

The Company follows industry standard quality assurance and quality control procedures for all its samples, under the supervision of Noel Diaz, General Manager, Peru and Andre Gauthier, P.Eng, President of Lara Exploration Ltd., who is the Qualified Person responsible for the preparation and content according to NI 43-101.

The Company expects to complete the drilling program by the end of December 2011 and prepare an updated NI 43-101 by the end of its fiscal year, April 30, 2012.

### **Tingo Este Property**

On April 26, 2011 Redzone released the results from a reconnaissance mapping and rock sampling program completed over the Tingo Este property, which comprises four concessions totalling 3,700 hectares, located 295 kilometres south of Lima. The Tingo Este project is located within a belt of occurrences called the "porphyry-copper Cretaceous strip of southern Peru" -- Puquio sector. This belt also hosts the Lara copper-molybdenum property, the Anita de Tibillos property of Tinka Resources Ltd., the north Pucacorrall, south Pucacorrall and Puquio projects of Teck Resources Ltd., as well as the Los Pinos porphyry-copper deposit. A total of 18 rock samples collected over the Suitojasa alteration system within the Tingo Este 2 block returned from 0.15 to 0.94 per cent copper, four to 120 parts per million molybdenum and 0.6 to 2.3 grams silver per tonne. The mineralization consists of veinlets, disseminations of pyrite and chalcocopyrite over a 200-by-600-metre area.

In addition to the Suitojasa area, the reconnaissance program identified two other targets on the Tingo Este 2 block that yielded values worthy of additional follow-up.

During the six months ended October 31, 2011 the Company has not performed any further work on the Tingo Este property as the Company is focused on the drilling program at the Lara property.

#### Azuljaja area

The Azuljaja area is located on the east side of the Quebrada Azuljaja and contains some underground informal workings. A 1.2-metre wide structure returned 2.55 per cent copper and 119 parts per million molybdenum. Tailings samples from the informal workings returned up to 3.68 per cent copper and 153 parts per million molybdenum.

#### Agua Salada (west side)

The Agua Salada area is located to the west of the main alteration and is characterized by a granodiorite cut by hyaline to milky quartz veins up to 0.4 metre thick with hyaline quartz vugs, fractures with jarosite and some boxworks. A sample from this material returned values of 1.5 parts per million silver, 133 parts per million lead, 804 parts per million copper and 295 parts per million molybdenum. Samples collected from two informal excavations returned 0.45 per cent copper and 64 parts per million molybdenum over 1.5 metres and 2.86 per cent copper and 19 parts per million molybdenum over three metres.

## QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended October 31, 2011.

Three months ended	October 31 2011	July 31 2011	April 30 2011	January 31 2011
Revenues	-	-	-	-
Net loss and comprehensive loss	(308,984)	(429,677)	(225,321)	(313,767)
Net Loss per share (basic and diluted)	(0.01)	(0.01)	(0.00)	(0.01)
Deferred acquisition costs	320,000	-	587,615	222,737

Three months ended	October 31 2010	July 31 2010	April 30 2010	January 31 2010
Revenues	-	-	-	-
Net loss and comprehensive loss	(227,457)	(366,799)	(393,280)	(587,431)
Net Loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)	(0.02)
Deferred acquisition costs	280,638	104,664	85,214	-

<sup>(1)</sup> Information for the quarter ended October 31, 2011 and July 31, 2011 and the quarters within the fiscal year ended April 30, 2011 have been prepared in accordance with IFRS, while the information for the quarters within the fiscal year ended April 30, 2010 have been prepared in accordance with Canadian GAAP.

The loss for the quarter ended January 31, 2010 is significantly higher than previous quarters due to share-based compensation of \$500,264 from the granting of 1,925,000 options to officers and directors.

The deferred acquisition costs for the quarter ended April 30, 2011 include the required issuance of 250,000 shares that were valued at \$142,500.

The loss for the quarter ended July 31, 2011 is higher than previous quarters due to share-based compensation of \$199,321 from the granting of 1,000,000 options to officers and directors. There were no deferred acquisition costs incurred in the quarter due to timing of the drilling programs.

## RESULTS OF OPERATIONS

### Three months ended October 31, 2011 and 2010

Significant changes to operational expenses in the comparative quarters include:

i) Professional fees \$40,172 (2010 - \$20,884)

Professional fees were higher in the current period due to legal costs associated with the Management Information Circular and Annual General Meeting held on September 30, 2011 and the preparation of the corporate tax return.

ii) Business investigation costs \$58,225 (2010 - \$nil)

Geological consulting services of \$55,375 (2010 - \$nil) were incurred relating to the review of various mineral properties and \$2,850 (2010 - \$nil) in associated travel expenses.

iii) Investor relations \$11,040 (2010 - \$23,604)

Investor relations consulting expenses of \$9,000 (2010 - \$15,000) and advertising expense of \$nil (2010 - \$8,000) were incurred. A new investor relations contract was entered into in October 2011. The prior year contract expired in January 2011. Travel costs of \$1,484 (2010 - \$nil) were incurred by management for investor relations purposes.

iv) Management salaries and benefits \$37,500 (2010 - \$57,473) and Consulting \$16,323 (2010 - \$nil)  
Management salaries and benefits for the three months ended October 31, 2011 represent compensation for the CEO while compensation for the CFO is paid through consulting fees. \$12,723 (2010 - \$nil)..

v) Shareholders' information, transfer agent, listing and filing fees \$6,563 (2010 - \$20,157)  
Shareholder's information, transfer agent, listing and filing fees were higher in the comparative period due to the Company's application process to list on the TSX exchange.

#### **Six months ended October 31, 2011 and 2010**

Significant changes to operational expenses in the comparative quarters include:

i) Professional fees \$50,634 (2010 - \$82,275) and transfer agent, listing and filing fees \$19,772 (2010 - \$82,223)

Professional fees and transfer agent, listing and filing fees were higher in the comparative period due to the Company's application process to list on the TSX exchange.

ii) Investor relations \$13,847 (2010 - \$71,173)

Investor relations consulting expenses of \$9,000 (2010 - \$30,000), advertising costs of \$nil (2010 - \$8,000) and travel costs of \$2,447 (2010 - \$29,255) were incurred by management for investor relations purposes.

iii) Management salaries and benefits \$105,635 (2010 - \$89,262) and Consulting fees \$25,388 (2010 - \$nil)

Management salaries and benefits represent compensation has increased during the current period as the CEO received a pay raise in January 2011. Compensation for the CFO commencing August 1, 2011 is paid through consulting fees (\$12,723).

iv) Office facilities and administration \$116,069 (2010 - \$86,094)

The office and administration expenses have increased due to travel costs incurred by management to secure business relationships. The Company also donated \$5,000 (2010 - \$nil) to a registered charity in the period.

v) Stock-based compensation \$292,407 (2010 - \$137,589)

1,500,000 stock options were issued and fair valued to directors and consultants during the period (2010 - 375,000). The Company obtained TSX approval and issued 800,000 outside of the stock options plan. Stock-based compensation expense represents the fair value of options granted and is a non-cash expense.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at October 31, 2011, the Company had cash of \$2,796,105 compared to \$3,552,751 as at April 30, 2011. The net decrease of cash of \$756,646 for the six month period ended October 31, 2011, is due to operating expenditures and deferred acquisition costs.

#### **Capital Expenditures**

During the three and six months ended October 31, 2011, the Company made payments totaling \$320,000 pursuant to the Option Agreement for the Lara Property 2011-2012 drill program. (2010 - \$280,638 and \$320,301). Subsequent to October 31, 2011, the Company made an additional payment of US \$375,000.

### **Financing Activities**

During the three and six months ended October 31, 2011 and in the period through to December x, 2011, the Company did not engage in any significant financing activities. The exercise of outstanding options and warrants resulted in the issuance of 25,000 (2010 - 290,000) common shares in consideration for cash proceeds totaling \$3,750 (2010 - \$174,000).

### **Liquidity and Capital Resources**

As at October 31, 2011 the Company had working capital of \$2,773,911 (April 30, 2011 - \$3,535,830). The change in working capital since April 30, 2011 is attributable to operational activities and deferred acquisition costs. The Company believes that it has sufficient working capital to meet its currently planned exploration activities and fund 12 months of operating requirements. Additional financing will be required to fund long-term work commitments on its projects and the acquisition of any additional properties.

Management intends to monitor spending and assess results on an ongoing basis and will make appropriate changes as required.

### **COMMITMENTS AND CONTINGENCIES**

#### **Lease Commitment**

The Company entered into a sublease on office space for the period of February 1, 2010 to November 29, 2011. The estimated liability for rent and expenses from November 1, 2011 to November 29, 2011 is \$4,600. Subsequent to October 31, 2011 the Company extended the sublease for six months. The estimated liability for the period November 29, 2011 to May 30, 2012 is \$27,600.

#### **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. The agreement has been terminated and subsequent to October 31, 2011 the options expired unexercised.

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.

## 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 October 31, 2011, the Company had a cash balance of \$2,796,105 to settle current liabilities of \$67,596. 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.

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 October 31, 2011, the Company has incurred property expenditures of US\$1,386,603 and continues to operate under the agreement's terms.

As at October 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 October 31, 2011, the Company has approximately US\$1,110,000 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 \$11,000.

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 prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's ability to raise capital to fund exploration activities is subject in part to risks associated with fluctuations in the market price of commodities.

### RELATED PARTY TRANSACTIONS

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

	Three months ended October 31		Six months ended October 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
Administrative fees	-	12,000	15,223	24,000
Property investigation services	-	-	-	761
	-	12,000	15,223	24,761

Included in accounts payable and accrued liabilities at October 31, 2011 is \$2,004 (April 30, 2011 - \$13,518) due to related parties.

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 and six months ended October 31, 2011 and 2010 was as follows:

	Three months ended October 31		Six months ended October 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
Management salaries and benefits	37,500	53,211	105,000	85,000
Consulting fees	12,723	-	12,723	-
Share-based payments	-	-	-	54,347
	50,223	53,211	117,723	139,347

## CRITICAL ACCOUNTING ESTIMATES

### Income taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values using substantively enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. As at October 31, 2011, no future income tax assets or liabilities were reflected in the financial statements of the Company.

### Fair value of share-based payments

The fair value of share based payments are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

## FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is May 1, 2010. The three months ended July 31, 2011 was the Company's first reporting period under IFRS.

The Company identified three phases to the Company's conversion: scoping and planning, detailed assessment and evaluation and implementation and post implementation. The Company has now completed its IFRS conversion project through to the implementation phase. A post-implementation phase will continue in future periods, as outlined below.

Note 4 of the accompanying condensed interim consolidated financial statements provide details of the pre-changeover Canadian GAAP to IFRS differences. The Company's previously released July 31, 2011 Interim Financial Statements provide details of accounting policy decisions and first-time adoption exemptions applied.

The reconciliation between the Canadian GAAP and IFRS equity as at October 31, 2010 is provided below:

	<b>October 31, 2010</b>
	\$
<b>Equity under Canadian GAAP</b>	5,131,057
Adjustment	-
<b>Equity under IFRS</b>	<b>5,131,057</b>

The reconciliation between the Canadian GAAP and IFRS total comprehensive loss for the three and six month periods ended October 31, 2010 is provided below:

	<b>Three months ended October 31 2010</b>	<b>Six months ended October 31 2010</b>
	<b>\$</b>	<b>\$</b>
<b>Comprehensive loss under Canadian GAAP</b>	(227,457)	(594,255)
Adjustment	-	-
<b>Comprehensive loss under IFRS</b>	(227,457)	(594,255)

The conversion to IFRS has had a low impact on the financial record keeping, internal controls and financial disclosures of the Company due to the nature of the Company’s exploration business. Accounting systems have been assessed and re-configured as necessary to ensure accurate financial reporting under IFRS, for both internal and external purposes.

**Post-implementation**

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. We note that the standard setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. We also note that the International Accounting Standards Board is currently working on an extractive industries project, which could significantly impact the Company’s financial statements primarily in the areas of capitalization of exploration costs and disclosures. The Company has processes in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC interpretations will be evaluated as they are drafted and published.

**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.

### **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.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

### **OUTSTANDING SHARE DATA AND DILUTION CALCULATION**

The Company has authorized share capital consisting of common shares without par value and preferred shares issuable in series. The number of shares authorized is unlimited. The Company has issued warrants for the purchase of common shares and also has a stock option plan. The table below summarizes the Company’s common shares and stock options and warrants that are convertible into common shares as at December 6, 2011:

Issued and outstanding	42,868,137
Share options outstanding with a weighted average exercise price of \$0.44	4,225,000
Share warrants outstanding with an exercise price of \$0.65 until March 24, 2012	5,091,617
<b>Fully Diluted</b>	<b>52,184,754</b>

### **RISKS AND UNCERTAINTIES**

In February 2010, the Company entered into an agreement to acquire up to 75% indirect interests in two properties in Peru. There is no certainty that the Company will acquire the properties interests which is conditional upon several items including the incurrence of the remaining US\$1,100,000 in property expenditures over three years.

The Company must overcome many risks associated with exploration properties. Outstanding items to be completed include, but are not limited to, further identification and quantification of a commercially viable ore body, confirmation of the Company’s interest in the underlying claims and leases, completion of a feasibility study, funding of all costs related to a commercial operating venture, completion of the permitting process, detailed engineering and the procurement of a processing plant, and constructing a facility to support the property. Construction and operational risks including, but not limited to, equipment

and plant performance, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating property.

External financing, primarily through the issuance of common shares will be required to fund its activities. Although the Company has been successful in raising the necessary funds in the past, there can be no assurance that it will be able to do so in the future.

For a more detailed list of risk factors, refer to the Company's Annual Information Form for the year ended April 30, 2011.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, engaged external consultants to evaluate the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as at April 30, 2011. Based on this evaluation, management concluded that these disclosure and internal controls and procedures over financial reporting were effective.

As of the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## **FORWARD LOOKING STATEMENTS**

Certain statements contained in this document constitute forward-looking statements. Such forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of copper, gold and other minerals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral resources; conclusions of economic evaluations; requirements for additional capital and other statements relating to the financial and business prospects of the Company. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to risks related to: (i) the Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic mineral deposits; (ii) management's outlook regarding future trends; and (iii) government regulation and environmental liability.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on its assessment of all information at that time. Readers are cautioned not to place undue reliance on these forward-looking statements, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward looking statements contained herein are expressly qualified by this cautionary statement.

## **OTHER INFORMATION**

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.redzoneresources.ca](http://www.redzoneresources.ca)