



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2011

(In Canadian Dollars, Unless Otherwise Noted)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Redzone Resources Ltd.

We have audited the accompanying consolidated financial statements of Redzone Resources Ltd. which comprise the consolidated balance sheets as at April 30, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Redzone Resources Ltd. as at April 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

July 13, 2011



REDZONE RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
As at April 30

	2011	2010
	\$	\$
Assets		
Current		
Cash	3,552,751	5,353,944
Receivables	15,844	11,667
Prepaid expenses and advances	48,205	19,737
	3,616,800	5,385,348
Equipment (Note 5)	2,902	3,114
Deferred acquisition costs (Note 6)	1,280,868	85,214
	4,900,570	5,473,676
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	80,970	124,953
Shareholders' equity		
Capital stock (Note 7)	6,746,295	6,352,105
Contributed surplus (Note 7)	807,572	597,542
Deficit	(2,734,267)	(1,600,924)
	4,819,600	5,348,723
	4,900,570	5,473,676

Continuance of operations (Note 2)

Commitments and contingencies (Notes 6 and 12)

Subsequent events (Note 13)

On behalf of the Board:

“Michael Murphy”

Director

“Steven Cook”

Director

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

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

For the years ended April 30

	2011	2010
	\$	\$
Mineral property exploration costs (Note 6)	63,264	138,191
Expenses		
Amortization	1,173	71
Audit, legal and other professional fees	179,166	107,628
Business investigation costs	65,621	123,768
Investor relations	89,509	104,555
Management and consulting fees	-	27,167
Management salaries and benefits	273,315	47,841
Office facilities and administration	174,954	120,547
Stock-based compensation	215,221	500,264
Shareholders' information, transfer agent, listing and filing fees	107,081	36,026
	1,106,040	1,067,867
Loss before other items	1,169,304	1,206,058
Other items		
Interest income	(36,793)	(641)
Foreign exchange loss	832	388
	(35,961)	(253)
Loss and comprehensive loss for the year	1,133,343	1,205,805
Deficit, beginning of year	1,600,924	395,119
Deficit, end of year	2,734,267	1,600,924
Loss per share		
Basic and diluted	\$0.03	\$0.04
Weighted average number of common shares outstanding		
Basic and diluted	42,546,425	32,473,799

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

REDZONE RESOURCES LTD.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended April 30

	2011	2010
	\$	\$
Cash Flows From Operating Activities		
Loss for the year	(1,133,343)	(1,205,805)
Items not involving cash:		
Amortization	1,173	71
Stock-based compensation	215,221	500,264
Changes in non-cash working capital items:		
Receivables	(4,177)	34,292
Prepaid expenses and advances	(28,468)	(19,737)
Accounts payable and accrued liabilities	(43,983)	109,421
Net cash used in operating activities	(993,577)	(581,494)
Cash Flows From Investing Activities		
Purchase of equipment	(961)	(3,185)
Deferred acquisition costs	(988,154)	(85,214)
Net cash used in investing activities	(989,115)	(88,399)
Cash Flows From Financing Activities		
Common shares and warrants issued for cash, net of issuance costs	174,000	6,007,938
Common shares issued on the exercise of stock options	7,499	-
Net cash provided by financing activities	181,499	6,007,938
Change in cash for the year	(1,801,193)	5,338,045
Cash, beginning of year	5,353,944	15,899
Cash, end of year	3,552,751	5,353,944
Supplementary cash flow information		
Cash received for interest	36,793	641
Cash paid for interest	-	-
Cash paid for income tax	-	-
Non-cash investing activities		
Issuance of shares for deferred acquisition costs	207,500	-
Non-cash financing activities		
Broker warrants issued on private placement	-	80,541

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

1. NATURE OF OPERATIONS

Redzone Resources Ltd. (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. 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.

2. CONTINUANCE OF OPERATIONS

These consolidated financial statements were prepared on a “going concern” basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At April 30, 2011, the Company had accumulated losses of \$2,734,267 (April 30, 2010 - \$1,600,924), had working capital of \$3,535,830 (April 30, 2010 - \$5,260,395) and expects to incur further losses in the development of its business.

The Company’s ability to meet its operational requirements is dependent on its ability to raise adequate funding through equity financings, and to identify, evaluate and negotiate an acquisition of, a participation in, or an interest in properties, assets, or businesses. There can be no assurances that adequate financing will be available on a timely basis under acceptable terms to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly-owned subsidiary, Compania Minera Oyamel, S.A. de C.V. All intercompany transactions and balances have been eliminated on consolidation. Unless otherwise indicated, all amounts are reported in Canadian dollars.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and related notes. Significant areas where management has applied judgement include assessments for property impairment and the measurement of stock-based compensation. Actual results could differ from these estimates.

Foreign currency translation

Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars using the temporal method of foreign currency translation as follows:

- Revenue and expense items at the rate of exchange in effect on the dates they occur.
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect on the balance sheet date.
- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date.

Foreign currency translation continued

Exchange gains and losses are recorded in the statement of operations, comprehensive loss and deficit in the period in which they occur.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading; held-to-maturity investments; loans and receivables; available-for-sale financial assets; or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities.

Assets measured at fair value are further categorized in a fair value hierarchy based on the inputs used to determine their fair value. The three levels of the fair value hierarchy are:

- 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.

Fair value

The carrying value of receivables, accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	3,552,751	-	-	3,552,751

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.

Mineral properties

All costs related to the acquisition of mineral properties are capitalized by property. This includes payments relating to property acquired under an option or joint venture agreement, which are capitalized as deferred acquisition costs.

If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed at least annually for impairment or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Exploration expenditures, net of recoveries, are charged to operations as incurred.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

As of April 30, 2011 and 2010, the Company did not have any asset retirement obligations.

Stock-based compensation

The Company uses the fair value method of accounting for stock options granted. Under the fair value method, stock-based payments for employees are measured at fair value at the date of grant and stock-based payments to non-employees are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable and are amortized over any vesting period. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

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.

The fair value of the common shares issued in the private placements of July 2009 and March 2010 was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

Loss per share is calculated using the weighted-average number of shares outstanding during the period. Diluted earnings per share, which reflects the dilutive effect of options, warrants and other convertible instruments, is calculated using the treasury stock method. Under this method, the dilutive effect on earnings per share reflects the assumption that the proceeds from the exercise of options, warrants and other convertible instruments are used to purchase and cancel common shares at the average market price during the period. In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

4. CHANGES IN ACCOUNTING POLICIES

Future changes in accounting policies

International financial reporting standards (“IFRS”)

In February 2008, the Accounting Standards Board announced that, effective for fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. The Company will first report under IFRS for its July 31, 2011 consolidated interim financial statements, and comparative figures previously reported under Canadian GAAP will be converted to IFRS.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

5. EQUIPMENT

April 30, 2011	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	4,146	1,244	2,902

April 30, 2010	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Office equipment	3,185	71	3,114

6. 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”), located in Peru, 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.

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(An Exploration Stage Company)
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April 30, 2011

Initial permits were obtained on October 26, 2010 (the “Permit Date”), and the Company is in compliance with its payment obligations as at April 30, 2011. \$1,073,368 (US\$1,066,603) was paid as of April 30, 2011. \$82,214 (US\$82,000) was paid as of April 30, 2010. All funds are advanced to Minas through cash calls, where each funding request is determined by Lara Exploration and is based on estimated exploration expenditures for a future defined period.

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.

A summary of deferred acquisition costs incurred during the year ended April 30, 2011, with comparative figures, includes the following:

	For the year ended April 30	
	2011	2010
	\$	\$
Deferred acquisition costs, beginning of year	85,214	-
Cash-call funding, allocated to exploration activities during year	988,154	85,214
Fair value of common shares issued during year	207,500	-
Deferred acquisition costs, end of year	1,280,868	85,214

Las Palmas Properties

On October 30, 2009, the Company, through RZ Mexico, entered into an agreement with Minera Teck, S.A. de C.V. (“Teck”), a wholly owned subsidiary of Teck Resources Limited to acquire an initial 50% interest in the Las Palmas property located in Mexico (“Las Palmas”).

Under the terms of the agreement, RZ Mexico may initially acquire a 50% interest in Las Palmas by making US\$1,000,000 in property expenditures by August 31, 2010 and thereafter an additional US\$2,000,000 in optional expenditures by August 31, 2012.

Due to the uncertainty in obtaining land access agreements, the Company and Teck have modified the October 30, 2009 agreement to include two additional clauses that extend the time frame for the initial US\$1,000,000 property expenditure by August 31, 2010 to August 31, 2010 plus that number of days from January 30, 2010 to when the access agreements are officially entered into. All subsequent property expenditure timelines are also moved forward by the number of days of the extension granted.

As of April 30, 2011, the Company remained unsuccessful in entering into a commercially reasonable land access agreement. There were no capitalized acquisition costs relating to the Las Palmas Properties as of April 30, 2010 and 2011. As of July 7, 2011, a termination agreement was executed whereby the Company and Teck have terminated all obligations relating to the Las Palmas properties.

REDZONE RESOURCES LTD.
(An Exploration Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2011

Mineral Exploration Costs

All mineral property exploration expenditures have been expensed under the Company's Statement of Operations, Comprehensive Loss, and Deficit.

	For the year ended April 30	
	2011	2010
	\$	\$
Las Palmas Properties		
Consulting	-	32,851
Property taxes	39,764	39,822
Legal	-	12,999
Travel	-	5,847
Miscellaneous	-	395
Lara and Tingo Este Properties		
Consulting	23,500	46,277
Mineral property exploration costs	63,264	138,191

7. CAPITAL STOCK

	Number of Shares	Amount \$	Contributed Surplus \$
Authorized			
Unlimited common shares, without par value			
Unlimited preferred shares, issuable in series			
As at April 30, 2009	27,525,000	424,708	16,737
Private placement, July 14, 2009	5,000,250	2,000,100	-
Less share issue costs	-	(165,300)	-
Stock-based compensation	-	-	500,264
Private placement, March 24, 2010	9,627,887	4,332,550	-
Less share issue costs	-	(239,953)	-
Broker warrants	-	-	80,541
As at April 30, 2010	42,153,137	6,352,105	597,542
Stock-based compensation	-	-	215,221
Shares issued for mineral properties (Note 6)	350,000	207,500	-
Shares issued upon exercise of warrants	290,000	174,000	-
Shares issued upon exercise of stock options	50,000	12,690	(5,191)
As at April 30, 2011	42,843,137	6,746,295	807,572

On July 14, 2009, the Company completed a non-brokered private placement of 5,000,250 units at a price of \$0.40 per unit for gross proceeds of \$2,000,100. Each unit consisted of one common share and one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to acquire one additional common share at \$0.60 per share up until July 14, 2010.

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April 30, 2011

On March 24, 2010, the Company completed a private placement of 9,627,887 units at a price of \$0.45 per unit for gross proceeds of \$4,332,550. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at an exercise price of \$0.65 per share at any time on or before March 24, 2012.

In connection with the private placement on March 24, 2010, the Company also issued an aggregate of 277,673 broker warrants, with each broker warrant entitling the holder to acquire one common share at a price of \$0.65 per share, until March 24, 2012. The broker warrants are valued at \$80,541.

The following assumptions were used for the Black-Scholes valuation of broker warrants issued on March 24, 2010:

Risk-free interest rate	1.49%
Expected life of warrants	2 years
Annualized volatility	133%
Dividend rate	0.00%

Warrants

Warrant transactions are summarized as follows:

	Number	Weighted Average Exercise Price \$
As at April 30, 2009	-	-
Issued	10,091,867	0.63
As at April 30, 2010	10,091,867	0.63
Exercised	(290,000)	0.60
Expired	(4,710,250)	0.60
As at April 30, 2011	5,091,617	0.65
Exercisable, at April 30, 2011	5,091,617	0.65

At April 30, 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

Shares issued for mineral properties

The Company issued a total of 350,000 shares to Lara Exploration, valued at \$207,000, in accordance with an earn-in agreement to indirectly acquire an interest in the Lara and Tingo Este properties (see Note 6). The valuation of the shares was based on the closing trading price of the shares on the date of issuance.

Date of issuance	Number of Shares	Share Price	\$
June 2, 2010	100,000	\$0.65	65,000
February 12, 2011	250,000	\$0.57	142,500

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 year ended April 30, 2011, the Company granted 575,000 (2010 – 1,925,000) stock options that were fully vested upon issuance. The total stock-based compensation calculated under the fair value method using the Black-Scholes option-pricing model was \$215,211 (2010 - \$500,264) which was charged to the statement of operations. The weighted average fair value of options granted during the year was \$0.37 (2010 - \$0.26).

The following weighted average assumptions were used for the Black-Scholes valuation of the 575,000 stock options issued during the year ended April 30, 2011:

Risk-free interest rate	1.49%
Expected life of options	2 years
Annualized volatility	133%
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 a reliable measure of the fair value of the Company’s stock options.

500,000 stock options were granted on May 17, 2010 to an external advisor and 500,000 stock options were granted on March 1, 2011 to another external advisor. These options remain unvested as at April 30, 2011, and only vest on the achievement of certain milestones and deliverables in accordance with the terms of each advisor’s service contract. As it is undeterminable at this time as to when these deliverables will be achieved, a value has not been assigned to these options. Refer to Note 12 for further details.

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price \$
As at April 30, 2009	175,000	0.15
Issued	1,925,000	0.42
As at April 30, 2010	2,100,000	0.40
Issued	1,575,000	0.65
Exercised	(50,000)	0.15
Expired	(25,000)	0.66
As at April 30, 2011	3,600,000	0.51
Exercisable, April 30, 2011	2,600,000	0.44

At April 30, 2011 the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Options	125,000	\$0.15	March 8, 2012
Options	1,925,000	\$0.42	January 14, 2015
Options	500,000	\$0.66	May 17, 2015
Options	150,000	\$0.55	July 15, 2015
Options	200,000	\$0.55	August 13, 2015
Options	200,000	\$0.59	November 4, 2015
Options	500,000	\$0.72	March 1, 2016

8. RISKS EXPOSURES

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 April 30, 2011, the Company had a cash balance of \$3,552,751 to settle current liabilities of \$80,970. 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 the end of April 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 April 30, 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.

a) 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.

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b) Foreign currency risk

As at April 30, 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 1% 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 property is located in Peru.

c) 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.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2011	2010
	\$	\$
Loss for the year	(1,133,343)	(1,205,805)
Expected income tax-recovery	(316,000)	(356,000)
Differences in foreign tax rates	(1,000)	-
Non-deductible items	62,000	150,000
Deferred deductible items	7,000	41,000
Deductible items – financing costs	(27,000)	(29,000)
Unrecognized benefit of non-capital losses	275,000	194,000
Total income tax recovery	-	-

The significant components of the Company's future income tax assets are as follows:

	2011	2010
	\$	\$
Future income tax assets:		
Non-capital loss carryforwards	530,000	253,000
Exploration expenditures	47,000	85,000
Share issuance costs	49,000	73,000
Valuation allowance	(626,000)	(411,000)
Net future income tax assets	-	-

The Company has available for deduction against future taxable income non-capital losses of approximately \$2.1 million. These losses, if not utilized, will expire between 2020 and 2031. Subject to certain restrictions, the Company also has nominal resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses have not

been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

10. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2011, the Company paid or accrued the following fees to a company with a director in common: administrative fees of \$48,000 (2010 - \$48,000); fees for assistance with the Company's private placements of \$nil (2010 - \$32,600); and property investigation and related consulting fees of \$23,500 (2010 - \$32,600). Additionally, \$761 was paid to a Director of the Company for property investigation services (2010 - \$Nil).

The Company also incurred consulting fees of \$nil (2010 - \$25,000) to a company controlled by an officer of the Company.

Included in accounts payable at April 30, 2011 is \$13,518 (2010 - \$36,725) due to related parties.

The above transactions were in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

11. 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 and 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. In order to manage its capital requirements, management maintains a general budgeting process.

As at April 30, 2011, the Company had no bank indebtedness or long-term debt.

The Company is not subject to any externally imposed capital requirements.

12. 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 are as follows:

May 1, 2011 to November 29, 2011	\$35,000
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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. As the likelihood and timing of the achievement of these milestones and deliverables are undeterminable at this time, a fair value estimate of these options could not be reasonably determined. Management will monitor the progress of services performed and establish a fair value estimate of the options when appropriate.

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. As the likelihood and timing of the achievement of these milestones and deliverables are undeterminable at this time, a fair value estimate of these options could not be reasonably determined. Management will monitor the progress of services performed and establish a fair value estimate of the options when appropriate.

13. SUBSEQUENT EVENTS

On May 26, 2011, the Board of Directors approved a compensation package for the Chief Executive Officer with the following terms:

On the completion of a new acquisition and equity financing, excluding any debt financing, of a minimum of \$250 million (the "Transaction"), the following bonus would be paid:

	Bonus	Cumulative
Upon completion of the Transaction and the closing price of the shares of Redzone trade over \$1.00 per share for a minimum of 60 consecutive trading days.	\$1,000,000	\$1,000,000
Upon completion of the Transaction and the closing price of the shares of Redzone trade over \$1.25 per share for a minimum of 60 consecutive trading days.	1,000,000	2,000,000
Upon completion of the Transaction and the closing price of the shares of Redzone trade over \$1.50 per share for a minimum of 60 consecutive trading days.	2,000,000	4,000,000

Additionally, on May 26, 2011, the Board of Directors approved a proposed compensation package for a candidate for Chairman of the Board, subject to his acceptance of appointment to the Board. On June 15, 2011, the candidate accepted the appointment as Chairman and the following compensation package came into effect:

REDZONE RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2011

In the event the Company completes an acquisition or series of acquisitions (collectively the “Acquisitions”) having an acquisition value, in aggregate (as determined by the investment bankers retained to advise the Company in connection with the Acquisitions) of at least \$250 million (the “Threshold”), being awarded:

- a. 1,000,000 restricted share units pursuant to the Company’s restricted share unit plan, if, as and when adopted by the Company; and
- b. that number of stock options that is equal to the lesser of:
 - i. 1% of the issued and outstanding shares of the Company immediately following the completion of Acquisitions having a value in the aggregate equal to or in excess of the Threshold; and
 - ii. 8,000,000

such options to be issued with an exercise price equal to the closing price of the Company’s shares on the Toronto Stock Exchange the day immediately prior to the date Acquisitions are completed having a value, in the aggregate, equal to or in excess of the Threshold. The options shall vest as to one-third of the number of options granted on each of the date of grant and the first and second anniversary of the date of grant and shall expire five years after issuance.

On June 15, 2011, the Company also granted 800,000 stock options to the newly appointed Chairman. The options vest fully on issuance, and are exercisable at a price of \$0.35 per common share for a period of five years from the date of grant.

On July 7, 2011, the Company signed a termination agreement with Teck ending all further obligations relating to the Las Palmas property.