

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2011**

**INTRODUCTION**

The following discussion and analysis of financial position and results of operations is prepared as at July 14, 2011 and should be read in conjunction with Redzone Resources Ltd.'s ("Redzone" or the "Company") audited annual consolidated financial statements for the year ended April 30, 2011 and the related notes attached thereto. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar figures included therein and in the following Management Discussion and Analysis ("MD&A") are expressed in Canadian dollars, unless otherwise stated.

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. The common shares of the Company were delisted from the Canadian National Stock Exchange ("CNSX") at the close of market on June 22, 2010.

The following discussion, analysis and financial review are comprised of the following sections:

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## 1. HIGHLIGHTS

### Overall Performance

The net loss for the year ended April 30, 2011 was \$1,133,343, compared to \$1,205,805 for the comparative period. At April 30, 2011, the Company had working capital of \$3,535,830, compared to \$5,260,395 at April 30, 2010. The Company had cash of \$3,552,751 at April 30, 2011, compared to \$5,353,944 at April 30, 2010.

### Las Palmas Property

As of April 30, 2011, the Company has 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.

### Lara Property

In July 2010, an updated NI 43-101 technical report was filed on SEDAR for the Lara Property. The updated technical report on the Lara Porphyry Copper-Molybdenum Deposit, Peru, was authored by Simon J. Meldrum, Consulting Geologist and dated March 1, 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.

A 1,997 metre diamond drill program commenced on November 15, 2010 and concluded on January 18, 2011. A total of 11 diamond drill holes were completed over a 600 by 300 metre area.

A second phase of exploration comprising a geophysical survey followed by additional drilling is planned. The permitting process for an expanded drill program and the geophysical survey is underway. Redzone is diligently dealing with the local community and government authorities to address any potential environmental or archaeological impact. Because the Lara Project is located within an archaeological reserve as declared by the Peruvian government, Redzone retains a government archaeologist to ensure the preservation of any discovered artifact. To date, there are no signs of archaeological sites on the property. However, if archaeological ruins of historical value are uncovered, this could lead to delays in the exploration and development of the Lara Project.

## **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 East project is located within a belt of occurrences called "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 chalcopyrite over a 200-by-600-metre area.

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

### 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.

## **2. 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.

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:

	<b>For the year ended April 30</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
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

## **Lara Property**

Peruvian Gold Ltd. discovered porphyry style copper and molybdenum mineralization at Lara in the mid-1990's. Two porphyry centers known Lara and Socos 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 electro-winning processing.

In 2007, two holes were drilled into the core of the Lara deposit and returned 20 metres of 1.2% copper and 13.7 metres of 0.93% copper in the enriched zone, followed by 13.7 metres grading 0.33% copper and 220.4 metres grading 0.25% copper, respectively, in the sulphide zone. Both holes ended in mineralization. The Socos target has never been drill tested.

Between 1997 and 2007, in total, 27 drill holes representing 3,290 metres have tested a roughly 500 metre by 500 metre portion of the Lara copper-molybdenum porphyry centre. In 2005, an estimated inferred mineral resource of 18.6 million tonnes grading 0.53% copper using a 0.2% copper cut-off and a simple polygonal resource model for the Lara deposit was documented in the independent National Instrument 43-101 ("NI 43-101") technical report on the property entitled "Summary of Exploration, Metallurgy and Scoping Studies on the Lara Porphyry Copper Property and Proposed 2005 Exploration Program, Rio Viscus, Palpa, Peru" authored by John Nebocat, P. Eng. Dated February 9, 2004 and revised March 31, 2005. Within this inventory are higher-grade blocks estimated at 6.5 million tonnes grading 0.91% copper using a 0.5% cut-off and 4.8 million tonnes grading 1.04% copper using a 0.6% copper cut off. The technical report is available for viewing under the corporate profile of Lara Exploration Ltd. on SEDAR.

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.

### 2010 Lara Copper-Molybdenum Drill Results

Drill Hole #	From (m)	To (m)	Length (m)	Copper (%)	Molybdenum (%)	CuEq	Comments
LA10-28	33.40	90.20*	56.80	0.27	NSV	0.27	0.14% Cu cut-off End in Mineralization
including	38.85	43.85	5.00	0.56	NSV	0.56	0.26% Cu
LA10-29	4.00	47.4	43.40	0.22	NSV	0.22	Mineralization (last sample 0.44% Cu over 1.6 metres) terminated by aplite dyke
including	35.50	39.25	3.75	0.41	NSV	0.41	
LA10-30	46.00	223.00*	177.00	0.28	0.013	0.36	No Cu cut-off
Including	46.00	172.00	126.00	0.32	0.015	0.41	
including	46.00	76.00	30.00	0.69	0.015	0.78	0.14% Cu cut-off
LA10-31	44.00	170	126.00	0.43	0.009	0.48	0.15% Cu cut-off
Including	44.00	74.00	30.00	0.77	0.011	0.86	
LA10-32	54.00	162.00	108.00	0.81	0.015	0.90	0.2% Cu Cut-off
Including	58.00	98.00	40.00	1.39	0.012	1.46	
LA10-33	0.00	90.60*	90.60	0.33	NSV	0.33	0.14% Cu cut-off, End in Mineralization
Including	2.00	50.00	48.00	0.39	NSV	0.39	0.26% Cu
LA10-34	52.00	90.00	38.00	0.61	NSV	0.61	0.2% Cu cut-off
Including	56.00	86.00	30.00	0.71	NSV	0.71	0.3% Cu cut-off
LA10-35	30.00	248.00	218.00	0.57	0.042	0.81	No Cu cut-off
Including	30.00	60.00	30.00	0.88	0.051	1.19	0.4% Cu cut-off
Including	206.00	234.00	28.00	0.74	0.017	0.84	0.2% Cu cut-off
LA10-36	24.00	30.00	6.00	2.14	NSV	2.14	0.2% Cu cut-off
Including	26.00	28.00	2.00	5.88	NSV	5.88	
And	36.00	130.00*	94.00	0.38	0.016	0.48	0.2% Cu cut-off
LA10-37	48.00	362.00	314.00	0.21	0.012	0.28	No Cu cut-off
Including	222.00	344.00	122.00	0.23	0.017	0.33	
Including	280.00	344.00	64.00	0.25	0.021	0.38	
LA10-38	30.00	220.00	190.00	0.28	0.011	0.35	0.14% Cu cut-off
Including	118.00	178.00	60.00	0.33	0.016	0.43	
Including	150.00	178.00	28.00	0.39	0.018	0.50	

Table notes:

1. All holes drilled vertically and all intervals are core lengths; Cu equivalent in per cent calculated using \$2.50 (U.S.) per pound copper and \$15 (U.S.) per pound molybdenum, and the following formula: ((percentage Cu times 22 times price Cu per pound) plus (percentage Mo times 22 times price Mo per pound)) divided by (price Cu per pound times 22).
2. (\*) end of hole
3. Metallurgical recoveries and net smelter returns are not considered.

A second phase of exploration comprising a geophysical survey followed by additional drilling is planned. The permitting process for an expanded drill program and the geophysical survey are underway. Redzone is diligently dealing with the local community and government authorities in addressing any potential environmental or archaeological impact. Because the Lara Project is located within an archaeological reserve as declared by the Peruvian government, Redzone retains a government archaeologist to ensure the safety of any discovered artifact. To date, there are no signs of archaeological sites on the property. However, if archaeological ruins of historical value are uncovered, this could lead to delays in the exploration and development of the Lara Project.

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Richard Graham P. Geol., a director of Redzone and a Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects, is responsible for the preparation and verification of the technical information on Lara and Tingo Este.

**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.

### 3. RESULTS OF OPERATIONS

The following table sets forth selected data for the periods indicated:

	Three months ended		Year ended		
	April 30		April 30		
	2011	2010	2011	2010	2009
	\$	\$	\$	\$	\$
Mineral property exploration costs	13,838	116,004	63,264	138,191	(44,475)
Expenses					
Amortization	293	71	1,173	71	-
Audit, legal and other professional fees	72,736	83,164	179,166	107,628	25,514
Business investigation costs <sup>(1)</sup>	4,817	-	65,621	123,768	-
Investor relations	1,500	80,351	89,509	104,555	-
Management and consulting fees	-	4,667	-	27,167	15,000
Management salaries and benefits	72,270	26,541	273,315	47,841	49,529
Office facilities and administration	51,334	68,239	174,954	120,547	-
Stock-based compensation	-	-	215,221	500,264	-
Transfer agent, listing and filing fees and shareholders' information	17,977	13,856	107,081	36,026	15,344
	220,927	276,889	1,106,040	1,067,867	105,387
Loss before other items	234,765	392,893	1,169,304	1,206,058	60,912
Other items					
Interest income	(9,580)	-	(36,793)	(641)	(1,437)
Foreign exchange loss	136	388	832	388	-
	(9,444)	388	(35,961)	(253)	(1,437)
Net Loss	225,321	392,281	1,133,343	1,205,805	59,475

<sup>(1)</sup> Business investigation costs relate to expenses incurred, primarily for geological consulting fees, to investigate potential investments in various mineral properties.

#### Three months ended April 30, 2011, compared with three months ended April 30, 2010

Mineral property explorations costs for the three month period ending April 30, 2011 were approximately \$13,800; \$8,000 of which relate to geological consulting fees for the Lara Property and \$5,800 relates to an adjustment for the actual property taxes paid relating to the Las Palmas Property.

Of the \$116,000 in mineral property exploration costs during the comparative period, \$46,000 relate to geological consulting fees for the Lara Property. The remaining expenditures pertain to the Las Palmas property: \$40,000 in property taxes and \$30,000 pertaining to consulting fees and associated travel costs.

Comparative quarters include the following highlights:

- Legal expenses of approximately \$17,000 were incurred during the three months ended April 30, 2011 due to the preparation and review of various corporate documents. For the comparative quarter, legal expenses of \$68,000 pertain to various corporate matters, including legal support for the Company's TSX listing application process.
- Audit fees of \$30,000 were accrued at April 30, 2011 compared to an accrual of \$15,000 for the April 30, 2010 year-end audit.
- Other professional fees of \$29,000 were incurred during the quarter ended April 30, 2011, \$26,000 of which relates to an external consultant's review of the Company's internal control documentation and the performance of independent testing of key controls. There are no comparable expenses for the comparative quarter.
- For the three months ended April 30, 2011, investor relations expenses comprised of consulting fees relating to the preparation of an updated Company presentation. Approximately \$80,000 was spent for investor relations expenses in the comparative quarter ending April 30, 2010, \$70,000 of which relates to executive travel.
- During the quarter ended April 30, 2011, management salaries and benefits represent compensation for the CEO and CFO, the only two employees of the Company. In the comparative period, management salaries and benefits represents only the CEO's compensation as the CFO's employment contract came into effect after April 30, 2010.
- The office and administration expenses have decreased when comparing the quarter ended April 30, 2011 to the same period last year as office set-up costs comprised approximately \$18,000 of last year's quarter-end expenses.

Of the \$51,000 in office and administrative expenses for the quarter ended April 30, 2011, \$13,000 represents office rent; \$15,000 relates to administrative services; \$6,000 represents software subscription dues; with the remaining expenditures consisting of various office supplies and sundry charges.

In the comparative quarter, in addition to office set-up costs, office and administrative expenses consist of \$14,000 in office rent, \$12,000 in administrative services, \$12,000 in meals and entertainment expenses, and the remaining expenses in office supplies and miscellaneous items.

**Year ended April 30, 2011, compared with the years ended April 30, 2010 and April 30, 2009**

Mineral exploration costs during the year ended April 30, 2011 decreased by approximately \$75,000 compared to the previous year due to a decrease in activities relating to the Las Palmas Property and a reduction in consulting services performed for the Lara and Tingo Este Properties. For the year ended April 30, 2009, the recoverable of mineral exploration costs relates to a British Columbia tax credit for exploration expenditures on a project that was terminated in 2008.

Operational expenses increased each year for the three-years ended April 30, 2011. Comparative analysis for the years includes:

- \$38,000 in audit fees was recorded for the year ended April 30, 2011; \$15,000 for the year end April 30, 2010; and \$10,000 for the year ended April 30, 2009.
- For other professional fees: \$9,000 relates to IFRS consulting fees; \$28,000 pertains to the first-year review and independent testing of internal controls in accordance with National Instrument 52-109; and \$2,000 represents fees for the preparation of an independent CEO compensation report. There were no professional fees incurred for the comparative years ended April 30, 2010 and April 30, 2009.
- Legal expenses of approximately \$100,000 were incurred for the year ended April 30, 2011 due to the Company's application process to list on the TSX, assistance with materials for the Company's AGM, and other various commercial matters throughout the year.

For the year ended April 30, 2010, legal expenses of \$93,000 pertained to the establishment of the Company's Mexican subsidiary, correspondence relating to the Las Palmas Property, and the commencement of the Company's TSX listing application.

For the year ended April 30, 2009, there was \$16,000 in legal expenses relating to general corporate matters.

- Business investigation expenses of \$66,000 for the year ended April 30, 2011 consist of \$58,000 in geological consulting services, relating to the review of various mineral properties, and \$8,000 in associated travel expenses.

For the comparative year ended April 30, 2010, business investigation expenses totaled \$124,000, consisting of \$33,000 in consulting services, \$37,000 in legal counsel fees, and \$54,000 in travel expenses.

No business investigation expenses were incurred during the year ended April 30, 2009.

- Investor relations expenses of approximately \$90,000 for the twelve months ended April 30, 2011, are comprised as follows: \$45,000 in corporate communication consulting services, \$15,000 in advertising and website support, and \$30,000 in executive travel.

There was \$105,000 in investor relations expenses for the year ended April 30, 2010, \$12,000 of which relates to advertising, \$5,000 expensed in corporate communication consulting, \$4,000 in website development and support, and \$84,000 in overseas executive travel.

There were no investor relations activities in 2009.

- For the year ended April 30, 2011, management salaries and benefits represents compensation paid to the CEO and CFO. For the year ended April 30, 2011, management salaries and benefits represent CEO compensation only, which commenced January 2010. No salaries and benefits were incurred during the year end April 30, 2009.
- The office and administration expenses have increased every year for the three years ended April 30, 2011. This increase is due to an overall increase in business operations.

Of the \$175,000 in office and administrative expenses for the year ended April 30, 2011, \$55,000 represents office rent, \$51,000 relates to administrative and office support services, \$18,000 represents telephone and cellular phone expenses, \$13,000 in meals and entertainment, and the remaining expenditures consisting of various office supplies and sundry charges.

For the year ended April 30, 2010, \$24,000 represents office rent, \$48,000 consists of administration and office support services; \$9,000 in telephone expenses; \$18,000 in supplies relating to office set-up; and \$15,000 in meals and entertainment.

For the year ended April 30, 2009, \$48,000 consists of administration and office support services.

- Stock options were issued to two consultants, an officer and two directors of the Company during the year ended April 30, 2011, resulting in the recognition of \$215,221 in stock-based compensation expense. Stock-based compensation expense represents the fair value of options granted and is a non-cash expense. Stock options granted in the comparative year resulted in the recognition of \$500,264 in stock-based compensation expense. No stock options were granted for the 2009 fiscal year.
- Of the transfer agent, listing and filing fees incurred during the twelve months ended April 30, 2011, \$80,000 pertains to the Company's original TSX listing and subsequent sustaining fees, with the remaining expenses relating to maintenance and filing fees.
- Interest income is earned at a rate of 1% per annum on cash held in the Company's operating bank account.

#### 4. QUARTERLY INFORMATION

A summary of selected information for each of the eight most recent quarters is as follows:

	Interest Income <sup>(1)</sup>	Operating Costs	Exploration Expenditures (Recovery)	Stock-Based Compensation	Net Income (Loss)	Basic & diluted loss per share
	\$	\$	\$	\$	\$	\$
Q4 – April 30, 2011 <sup>(8)</sup>	9,580	221,063	13,838	-	(225,321)	(0.01)
Q3 – January 31, 2011 <sup>(7)</sup>	11,462	198,171	49,427	77,631	(313,767)	(0.01)
Q2 – Oct. 31, 2010 <sup>(6)</sup>	11,095	165,909	-	72,353	(227,457)	(0.01)
Q1 – July 31, 2010 <sup>(5)</sup>	4,656	306,218	-	65,236	(366,798)	(0.01)
Q4 – April 30, 2010 <sup>(4)</sup>	-	277,276	116,004	-	(393,280)	(0.01)
Q3 – January 31, 2010	-	72,980	14,187	500,264	(587,431)	(0.02)
Q2 – Oct. 31, 2009 <sup>(2)</sup>	641	105,599	8,000	-	(112,958)	-
Q1 – July 31, 2009 <sup>(3)</sup>	-	112,136	-	-	(112,136)	-

<sup>(1)</sup> The Company is a mineral exploration company and has no operating revenue. The Company receives interest income from funds on deposit.

<sup>(2)</sup> The Company incurred \$44,797 of costs to investigate potential investments, classified as business investigation costs.

<sup>(3)</sup> The Company incurred \$76,554 of costs to investigate potential investments, classified as business investigation costs.

<sup>(4)</sup> The Company incurred \$80,351 of costs in investor relations activities, and \$68,164 in total legal fees.

<sup>(5)</sup> The Company incurred \$60,803 of costs to investigate potential investments, classified as business investigation costs; \$47,569 of costs in investor relations activities; and a total of \$110,297 in legal and filing fees relating primarily to the Company's initial listing on the TSX.

<sup>(6)</sup> The Company incurred \$23,604 of expenses in investor relations activities, and \$20,884 in legal fees relating to various property and corporate matters.

<sup>(7)</sup> The Company incurred \$16,836 of expenses in investor relations activities and \$24,155 in professional fees relating substantially to IFRS consulting services and various legal expenses for corporate matters.

<sup>(8)</sup> The Company incurred \$27,770 in consulting services relating to internal control documentation review and testing.

#### 5. LIQUIDITY AND CAPITAL RESOURCES

##### Statement of Cash Flow Information

As at April 30, 2011, the Company had cash of \$3,552,751 compared to \$5,353,944 as at April 30, 2010. The net decrease of cash of \$1,801,193, for the year ended April 30, 2011, is due primarily to various operating expenditures and deferred acquisition costs.

Cash used in operations, including changes in non-cash working capital, was \$993,577 for the year ended April 30, 2011. During the year, \$80,000 was spent on TSX original listing fees and subsequent sustaining fees. Approximately \$100,000 was spent on legal fees relating to the initial TSX listing and other corporate matters. All other expenses for the year relate to operating matters including business investigation, investor relations, office facilities and administration. Cash receipts for the year consist primarily of interest earned on cash held on deposit and HST refunds.

For cash used in investing activities for the year ended April 30, 2011, \$988,154 represents deferred acquisition costs relating to the Lara Property. Additionally, \$961 was spent on the purchase of office equipment.

Cash received from financing activities for the year ended April 30, 2011 include \$174,000 from the exercise of warrants related to the July 2009 private placement financing, and \$7,499 received on the exercise of stock options in December 2010.

### **Capital Resources**

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. Having raised \$6,332,650 in gross proceeds during the 2010 fiscal year, the Company should have adequate resources to pay for its anticipated administrative costs and work commitments on its projects for the next twelve months, based on known current requirements. However, additional financing will be required to fund long-term work commitments on its projects and the acquisition of any additional properties.

## **6. COMMITMENTS AND CONTINGENCIES**

### **Commitments**

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.

## 7. 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.

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

As at April 30, 2011:

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

As at April 30, 2010:

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	5,353,944	-	-	5,353,944

### Risk Exposures

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, because of the short-term nature of these instruments.

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.

b) Foreign currency risk

As at April 30, 2010, the Company has approximate 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 properties are 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.

## **8. TRANSACTIONS WITH RELATED PARTIES**

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.

## **9. 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.

### **Fair value of stock-based compensation and warrants issued**

The fair value of stock-based compensation and warrants issued 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.

## 10. NEW 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.

## 11. INTERNATIONAL FINANCIAL REPORTING STANDARDS CONVERSION PLAN

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures. The Company plans to implement a comprehensive IFRS conversion framework, which takes into account matters such as changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes.

The key dates for the Company's IFRS conversion process include the following:

- May 1, 2010 (transition date): An opening statement of financial position according to IFRS will be prepared as at this date to facilitate the changeover to IFRS in 2011. The Company will continue to report its fiscal 2011, 2010 and comparative 2009 results according to Canadian GAAP.
- May 1, 2011 (changeover date): This is the date after which the Company will prepare and report interim and annual 2012 financial statements with 2011 comparatives according to IFRS. The date of the Company's first interim financial statements in accordance with IFRS will be for the three months ended July 31, 2011 and the first annual financial statements under IFRS will be for the year ended April 30, 2012.

The Company's conversion plan will involve the following phases: 1- scoping and planning, 2- detailed assessment and evaluation, and 3- implementation.

### **Scoping and Planning**

In the scoping and planning phase, the Company reviewed accounting policies and the changes that may be required on conversion to IFRS. The following discussion highlights the conclusions of this phase:

IFRS 1, "First Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas, relating to the general requirement for full retrospective application of IFRS. The various accounting policy choices available have been assessed through the compilation of "white papers", prepared by management. The audit committee approved all key accounting policy choices proposed by management at an audit committee meeting held on February 8, 2011.

The following were the significant financial reporting areas identified for analysis and any impact on adoption of IFRS:

Standard	Difference from Canadian GAAP	Impact Identified
Presentation and disclosure	IFRS requires significantly more disclosure than Canadian GAAP for certain standards.	The increased disclosure requirements will cause the Company to change various financial reporting processes to ensure the appropriate data is collected.
Stock-based compensation	Under Canadian GAAP, vesting of employee stock options can be recognized on a straight-line basis whereas IFRS requires that each tranche of stock option vesting is treated as having a separate fair value.	The amount of the expense recognized under IFRS may be different to that under Canadian GAAP and is recognized more upfront. There is an exemption under IFRS 1 “First time Adoption of International Financial Reporting Standards” relating to share-based payments, which permits fully vested options not to be restated in accordance with IFRS. There is no exemption required or adjustment on adoption of IFRS as the Company has granted options to employees with no vesting periods and has granted options to consultants that remain unvested to-date.
Exploration and Evaluation Expenditures	Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and the evaluation of mineral properties. Costs that are capitalized are subject to impairment tests on an on-going basis.	The Company’s current policy is to capitalize the costs directly relating to mineral property acquisitions, and to expense, as incurred, all costs relating to exploration and evaluation until such time as it has determined that a property has economically recoverable reserves. Capitalized costs will be subject to impairment tests in accordance with IFRS 6, which is comparable to current GAAP standards. Therefore, there will be no impact on IFRS transition as the Company intends to maintain its current mineral property accounting policy on transition.

## Detailed Assessment and Evaluation

Phase 2, the detailed assessment phase, involves further technical analysis of the potential impacts, quantification of alternatives where there are accounting policy choices, detailed analysis, and conclusions regarding IFRS 1 (“First Time Adoption of IFRS”) exemptions and exceptions available to the Company.

This phase has been completed, with the following conclusions approved by the audit committee on February 8, 2011:

- The Company will not be applying any exemptions on the adoption of IFRS, as they do not apply to the Company’s current circumstances.
- The adoption of IFRS will not have a retroactive impact of a quantitative nature on the financial statements; nor will internal controls over financial reporting and information technology systems be significantly impacted due to the simple structure of operations and limited number of transactions per quarter.
- The adoption of IFRS will require significantly more disclosure in the presentation of the financial statements.

## Implementation

In Phase 3, the implementation phase, the Company will apply management’s accounting choices under IFRS, prepare reconciliations, calculate the opening statement of financial position at the transition date of May 1, 2010, develop disclosure requirements and develop sample financial statements.

## Timeline

During the year ended April 30, 2011, the Company engaged a third-party advisor to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company’s conclusions with respect to its IFRS plan to the fiscal year ended April 30, 2011, which represents the requirements of the three IFRS transition phases noted above.

Key Activity	Objectives	Due Date
Final determination of changes to accounting policies and selection of first-time adoption alternatives	<ul style="list-style-type: none"> <li>• Identify applicable differences between Canadian GAAP and IFRS accounting policies</li> <li>• Select IFRS policies to be adopted</li> <li>• Select IFRS 1 choices</li> </ul>	Reviewed and approved by the Audit Committee on February 8, 2011

Key Activity	Objectives	Due Date
Determination of the accounting policy change implications on information technology; entity-level and business-level processes	<ul style="list-style-type: none"> <li>• Review data collection to determine its use under both Canadian GAAP and IFRS</li> <li>• Determine any impact on control environment, including Internal Control over Financial Reporting (“ICFR”) and Disclosure Controls and Procedures (“DC&amp;P”)</li> <li>• Determine any impact on business processes</li> </ul>	Reviewed and approved by the Audit Committee on February 8, 2011
Quantification of the financial statement impact of changes in accounting policies	<ul style="list-style-type: none"> <li>• Develop skeleton financial statements under the IFRS format</li> <li>• Quantify effects of changes in initial IFRS 1 disclosures and 2010 financial statements</li> </ul>	As of July 2011, skeleton financial statements developed with key note disclosures. No retroactive impact identified on the adoption of IFRS.
Implement any changes to information technology, entity-level and business-level processes	<ul style="list-style-type: none"> <li>• Finalize and implement any change requirements – determined to be insignificant as at January 31, 2011</li> </ul>	No information technology impact
Training: The Company considers that the following personnel should possess sufficient understanding of IFRS: CFO, CEO, and members of the Audit Committee	<ul style="list-style-type: none"> <li>• Appropriate levels of expertise are required throughout the IFRS conversion project with on-going training provided as needed</li> </ul>	On-going throughout the transition process

## Summary

The above list and related comments should not be regarded as a complete list of changes that will (or could) result from the Company’s transition to IFRS. It is intended to highlight areas that management believes may be most significant. The standard-setting bodies of Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and these changes may have a material impact on the Company’s financial statements. As a result, the final impact on the Company’s financial statements will only be measurable once all of the applicable IFRS standards at the final changeover are known.

## 12. OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

### 13. OUTSTANDING SHARE DATA

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.

As at July 14, 2011, the following securities were outstanding:

	<b>Number</b>
Common shares	42,843,137
Warrants	5,091,617
Options	4,400,000

### 14. 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 US\$2,500,000 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.

### 15. DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

#### Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that: (i) material information relating to the Company is made known to management by others on a timely basis, particularly during the period in which annual

filings are being prepared; and (ii) information required to be disclosed by the Company under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified under those laws.

As of the year ended April 30, 2011, the CEO and CFO have evaluated the design and effectiveness of the Company's disclosure controls and procedures, as managed through a Disclosure Committee established by the Board of Directors on July 8, 2010. The CEO and CFO have not identified any material weakness in such disclosure controls and procedures as at April 30, 2011. The processes of the Disclosure Committee were formally documented in a Disclosure and Trading Policy which was approved by the Board of Directors on November 4, 2010.

It should be noted that, while the CEO and CFO believe that the Company's disclosure controls and procedures as of April 30, 2011 provide a reasonable level of assurance and are effective, the disclosure controls and procedures cannot prevent all errors or mistakes. A control system no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### **Internal Controls over Financial Reporting**

Management is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with GAAP.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements.

Any internal controls over financial reporting, including those systems determined to be effective, well conceived and operated, have inherent limitations and can provide only reasonable, not absolute assurance that the objectives of the control system are met with respect to financial statement preparation and presentation. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

During the quarter ended April 30, 2011, the Company successfully implemented various internal controls over financial reporting as originally proposed in the previous quarters, and completed the documentation of its internal control policies and procedures. A third-party consultant was engaged to independently test, on behalf of management, the effectiveness of the controls implemented. Independent testing results determined that there were no material weaknesses in the Company's internal controls as at April 30, 2011.

With reference to the framework *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), the CEO and CFO performed their review of the Company’s internal controls over financial reporting for the year ended April 30, 2011, with consideration given to the independent testing performed. Based on this review, with additional consideration given to the simple nature of operations at this time and the limited number of transactions per quarter, as at April 30, 2011, the CEO and CFO believe that the Company’s internal controls over financial reporting are designed and operating effectively to provide reasonable, but not absolute, assurance that the objectives of the control system are met.

## 16. SUBSEQUENT EVENTS

On May 12, 2011, Mr. Steven Cook tendered his resignation as Director, with an effective date of the earlier of the filing of the April 30, 2011 year-end financial statements with the Ontario Securities Commission and July 20, 2011.

On May 26, 2011, the Company entered into a services agreement with Malaspina Consultants Inc., a company that provides financial reporting and management services to junior public companies. The services agreement commences on July 1, 2011 and a senior consultant of Malaspina, Ms. Rebecca Moriarty, will assume the role of Chief Financial Officer as of August 1, 2011. Ms. Moriarty replaces Pauline Pasetka who tendered her resignation as Chief Financial Officer on April 1, 2011.

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:

	<b>Bonus</b>	<b>Cumulative</b>
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:

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.

## **17. FORWARD LOOKING STATEMENTS**

Certain statements contained in this document constitute forward-looking statements. Such 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. Readers are cautioned not to place undue reliance on these forward-looking statements.