



## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2017

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The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and six months ended October 31, 2017 ("MD&A") has been prepared as of December 29, 2017. It should be read in conjunction with the unaudited condensed interim consolidated financial statements of Redzone Resources Ltd. (the "Company") for the three and six months ended October 31, 2017 as well as the audited annual consolidated financial statements for the year ended April 30, 2017 and the accompanying MD&A for the year then ended.

The referenced unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in the Company's presentational currency of Canadian dollars unless otherwise indicated.

### **CORPORATE HIGHLIGHTS**

#### **Business description**

The Company's principal business activities include the acquisition and exploration of mineral properties, with its head office located in Vancouver, British Columbia, Canada. The Company holds a 55% controlling interest in the Lara Property in southern Peru and is currently earning up to a 100% interest in the Fortner and Boyd Lithium Property ("Lucky Mica Claim Group") in Arizona USA. The Company is a reporting issuer in British Columbia, Alberta and Ontario and its common shares trade on the TSX Venture Exchange under the symbol REZ.

#### **Recent highlights**

On December 29, 2017 the Company closed a non-brokered private placement and issued 7,600,000 units at a price of \$0.16 per unit for gross proceeds of \$1,216,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.24 for a period of two years, subject to acceleration in certain circumstances.

On December 4, 2017 the Company appointed Cameron Bell, M.Sc., P. Geo, to the Board of Directors. Mr. Bell has over 30 years of experience working as a geologist and exploration manager in North America. He brings extensive experience managing exploration programs and sourcing new projects as the Company continues to explore the Fortner Boyd Lithium property and looks for additional opportunities in the future.

On November 30, 2017 the Company granted 600,000 stock options to directors of the Company, with an exercise price of \$0.14 per option, expiring on November 30, 2022.

On September 13, 2017 the Company acquired two additional claims at its Lucky Mica Claim Group.

On June 6, 2017 the Company closed a non-brokered private placement pursuant to which it issued 4,766,250 units at \$0.16 per unit for gross proceeds of \$762,600. Each unit consists of one common share of the Company and one-half share purchase warrant, with each whole share purchase warrant entitling the holder to acquire an additional common share at an exercise price of \$0.24, for a period of two years.

#### **Fortner and Boyd Lithium Property**

On August 2, 2016 the Company entered into a binding letter agreement (the "original Agreement") for the grant to the Company of an option to acquire up to a 100% interest in the Fortner and Boyd Lithium Property ("Lucky Mica Claim Group" or the "Property") located in north central Maricopa County, Arizona. A related party holds a 50% interest in the Property. The Company could earn a 75% interest in the Property, subject to a 0.5% net smelter royalty ("NSR"), by making cash payments and share issuances over a two year period. The Company could earn the remaining 25% interest, subject to a 0.667% NSR by making cash payments and share issuances over the ensuing two year period.

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On July 27, 2017 the Company entered into a new option agreement (the "Amended Agreement"). Under the terms of the Amended Agreement the Company can earn a 100% interest in the property, subject to a 0.667% NSR, by completing the following:

- Paying US \$7,500 on date of execution of original Agreement (paid)
- Paying US \$10,000 within three business days of the approval date of the original Agreement (paid)
- Paying US\$30,000 on or prior to the earlier of i) 15 months following the date of the Amended Agreement or ii) the date of completion by the Company of an equity financing to raise aggregate gross proceeds of not less than \$500,000 (paid)
- The issuance and delivery of 300,000 common shares of the Company. (200,000 issued on September 29, 2016 at a fair value of \$28,000.)

The Company can acquire the NSR by making a one-time cash payment of US\$1,000,000.

A total of US \$23,750 of these cash payments were made and 100,000 common shares were issued to a Director of the Company who was [is] a part owner of the Property.

The claims comprising the Lucky Mica Claim Group are situated approximately 8 miles south west of the city of Wickenburg in Maricopa County, Arizona. The Property consists of 27 contiguous unpatented lode claims totaling approximately 500 acres. The claims cover the "Fortner and Boyd Lithium Deposit" recorded as such by the United States Geological Survey as Deposit 10064183 and catalogued as Mineral Resources Data System ID TC38458, hereby referred to as the "Mineralization". The Mineralization occurs within a pegmatite dyke in granitic rocks and schists. The dyke contains lithium bearing minerals noted as spodumene, amblygonite, lepidolite and beryl.

During the year ended April 30, 2017 the Company completed a National Instrument ("NI") 43-101 compliant technical report on the Property that has been filed on SEDAR at [www.sedar.com](http://www.sedar.com). Sampling of the previously discovered pegmatite dyke yielded grades as high as 7.5% Li<sub>2</sub>O from a spodumene rich pegmatite grab sample.

Based on the surface mapping, sampling, and sectional interpretation of the Lucky Mica dyke alone, target envelope tonnage for this body has been defined between 330,000 and 551,000 tonnes to a depth of 60m with target average grades between 0.3% and 2.5% Li<sub>2</sub>O. The report also identified ten new pegmatite outcrops throughout the Property, possibly indicating up to seven distinct pegmatite bodies. These additional dykes could increase the mineral potential to between 330,000 and 3.0M tonnes. The potential quantity and grade for this "Mineral Potential" estimates is conceptual in nature; there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. It should be noted that no recent drilling has been completed on the Property, which is necessary to delineate potentially economic grade and thickness intervals

#### **Lara Property**

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

The Company completed diamond drilling totaling 6,500m on the Lara property in southern Peru, the Ayacucho region, during its 2012 and 2011 fiscal years. Highlights of the fiscal 2012 and 2011 diamond drilling program can be found within press releases dated February 27, 2012 and February 22, 2011 respectively filed on SEDAR at [www.sedar.com](http://www.sedar.com).



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The Company has designed an in-fill core drilling program of 3,000 meters with the aim of defining an inferred resource. In addition the Company has identified other exploration targets on the Lara Property that require further examination. These programs have been put on hold until market conditions improve allowing the Company and its joint venture partner to fund the programs. There has been no drilling expenditures incurred during the period ended October 31, 2017.

**QUARTERLY INFORMATION**

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended October 31, 2017.

	<b>October 31, 2017</b>	<b>July 31, 2017</b>	<b>April 30, 2017</b>	<b>January 31, 2017</b>
<b>Three months ended</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Revenues	-	-	-	-
Net Loss	(88,085)	(71,583)	(279,599)	(90,717)
Loss per share attributable to shareholders <sup>(1) (2)</sup>	(0.00)	(0.01)	(0.02)	(0.01)

  

	<b>October 31, 2016</b>	<b>July 31, 2016</b>	<b>April 30, 2016</b>	<b>January 31 2016</b>
<b>Three months ended</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Revenues	-	-	-	-
Net Loss	(106,127)	(134,169)	(83,034)	(36,833)
Loss per share attributable to shareholders <sup>(1) (2)</sup>	(0.01)	(0.02)	(0.01)	(0.01)

<sup>(1)</sup> The basic and diluted loss per share calculation results in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

<sup>(2)</sup> The Company approved a 10:1 stock consolidation during the year ended April 30, 2016. All comparative figures have been updated.

The net loss for the three months ended April 30, 2017 is greater than other periods as the Company had accrued mining concession fees for the Lara property and recorded \$53,613 of share-based payments expense as the Company granted stock options.

The loss for the quarter ended January 31, 2016 is lower than other quarters due to minimal business activity.

**RESULTS OF OPERATIONS**

**Three months ended October 31, 2017 and 2016**

The loss for the three months ended October 31, 2017 was \$88,085, compared with \$106,127 for the comparative period in 2016. The decrease in loss for the period is primarily due to the following:

a) Office and Admin \$29,858 (2016 - \$15,794)

Office and admin costs increased during the three months ended October 31, 2017 due to increased office rent and travel.

b) Exploration costs \$15,540 (2016 - \$35,972)

Exploration costs decreased during the three months ended October 31, 2017 as the Company has reduced activity at the Lara Property.



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c) Management salaries and benefits \$8,333 (2016 - \$nil)

Management salaries and benefits consist of salaries paid to the CEO which were approved to recommence during the period.

d) Share-based payments \$nil (2016 - \$29,766)

During the three months ended October 31, 2016 the Company granted 150,000 stock options and recorded share-based payments expense of \$29,766.

**Six months ended October 31, 2017 and 2016**

The loss for the six months ended October 31, 2017 was \$150,693 compared with \$240,296 for the comparative period in 2016. At October 31, 2017 the Company had working capital of \$611,162 compared to working capital of \$35,663 at April 30, 2017. The company had cash of \$674,741 at October 31, 2017 compared to \$224,689 at April 30, 2017. Significant operational expenses in the comparative quarters include:

a) Office and Admin \$56,685 (2016 - \$31,190)

Office and admin costs increased during the six months ended October 31, 2017 due to increased office rent and travel.

b) Professional fees \$38,801 (2016 - \$108,116)

Professional fees have returned to normal activity levels during the six months ended October 31, 2017.

c) Exploration costs \$17,496 (2016 - \$49,008)

Exploration costs decreased during the six months ended October 31, 2017 as the Company has reduced activity at the Lara Property.

d) Management salaries and benefits \$8,333 (2016 - \$nil)

Management salaries and benefits consist of salaries paid to the CEO which were approved to recommence during the period.

**LIQUIDITY AND CAPITAL RESOURCES**

As at October 31, 2017 the Company had cash of \$674,741 compared with \$224,689 as at April 30, 2017. The net increase of cash of \$450,052 for the period ended October 31, 2017 is due to the Company completing a private placement for gross proceeds of \$762,600, offset by cash used in operating activities (including changes in working capital) and mineral property acquisition costs.

**Capital Expenditures**

The Company incurred cash acquisitions costs of \$43,717 related to the Fortner and Boyd Lithium Property during the period ended October 31, 2017. During the six months ended October 31, 2016, the Company incurred cash acquisition costs of \$23,353 and issued 200,000 common shares (valued at \$28,000) related to the Fortner and Boyd Lithium Property.



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### **Financing Activities.**

Subsequent to October 31, 2017, the Company closed a non-brokered private placement and issued 7,600,000 units at a price of \$0.16 per unit for gross proceeds of \$1,216,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.24 for a period of two years, subject to acceleration in certain circumstances.

On June 6, 2017 the Company closed a non-brokered private placement pursuant to which it issued 4,766,250 units at \$0.16 per unit for gross proceeds of \$762,600. Each unit consists of one common share of the Company and one-half share purchase warrant, with each whole share purchase warrant entitling the holder to acquire an additional common share at an exercise price of \$0.24, for a period of two years. The proceeds from the private placement will allow the Company to discharge its accounts payables and provide working capital.

On June 29, 2016 the Company closed a private placement of 5,599,888 units at a price of \$0.09 per unit to raise gross proceeds of \$503,990. Each unit is comprised of one common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional common share at an exercise price of \$0.15, expiring on June 29, 2021. The proceeds from the private placement allowed the Company to discharge its accounts payables and make the acquisition payments for the Lucky Mica Claim Group.

### **Liquidity and Capital Resources**

As at October 31, 2017 the Company had working capital of \$611,162 compared with working capital of \$35,663 at April 30, 2017. The Company has no long-term debt. The Company's operations consumed \$272,302 of cash during the six months ended October 31, 2017, the majority of which was reducing the outstanding payables amounts. The aggregate operating, investing and financing activities during the period ended October 31, 2017 resulted in an increase in cash balance from \$224,689 at April 30, 2017 to \$674,741 at October 31, 2017.

The Company is currently in the exploration stage and depends on the junior resource capital markets to raise funds to carry out its exploration programs. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary equity financing to develop its mineral property interests, to meet its ongoing corporate overhead requirements and discharge its liabilities as they come due. Currently the Company believes it has enough working capital to discharge its obligations as they come due for the next twelve months.

## **FINANCIAL INSTRUMENTS**

### **Classification of financial instruments**

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The Company designated its cash as loans and receivables. The accounts payable and accrued liabilities are designated as other financial liabilities. The fair value of these instruments approximates their carrying amount due to their short-term to maturity. The Company's risk exposures and the impact on the Company's financial instruments are discussed in the consolidated financial statements for the year ended April 30, 2017.

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**RELATED PARTY TRANSACTIONS**

Compensation paid or payable to Directors, the Chief Executive Officer and the Chief Financial Officer, for services provided during the three and six months ended October 31, 2017 and 2016 was as follows:

	Three months ended October 31,		Six months ended October 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Management salaries and benefits	8,333	-	8,333	-
Consulting fees	5,920	4,160	12,480	9,360
Share-based payments	-	29,766	-	29,766
	14,253	33,926	20,813	39,126

The Company incurred additional expenditures charged by a director during the three and six months ended October 31, 2017 and 2016 as follows:

	Three months ended October 31,		Six months ended October 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Exploration expense	405	6,000	405	8,875

Included in accounts payable and accrued liabilities at October 31, 2017 is \$7,199 (April 30, 2017 - \$19,215) due to an officer and director of the Company. The amounts owing are non-interest bearing and due on demand.

**ACCOUNTING STANDARDS**

The following new or revised standards have been issued but are not yet effective. The Company intends to adopt these standards when they become effective.

**IFRS 9 Financial instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 for the Company will be the annual period beginning on May 1, 2018, with early adoption permitted. The Company has initially assessed that there will be no material reporting changes as a result of adopting this new standard, however, there may be enhanced disclosure requirements.

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**IFRS 16 Leases**

This standard replaces IAS17-Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date for the Company is for annual period beginning on May 1, 2019. The Company has initially assessed that there will be no material reporting changes as a result of adoption this new standard.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**OUTSTANDING SHARE DATA AND DILUTION CALCULATION**

The Company has authorized share capital consisting of common shares without par value and preferred shares issuable in series. The number of shares authorized is unlimited. The Company has issued warrants for the purchase of common shares and stock options. The table below summarizes the number of common shares outstanding and outstanding stock options and share purchase warrants that are convertible into commons shares as at December 29, 2017:

Issued and outstanding common shares	30,831,284
Share options outstanding with a weighted average exercise price of \$0.14	1,556,000
Share purchase warrants outstanding with a weighted average exercise price of \$0.18	16,191,013
<b>Fully Diluted</b>	<b>48,578,297</b>

**RISKS AND UNCERTAINTIES**

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, First Nations consultation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

Financial risks include commodity prices and interest rates all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital and to repay indebtedness it incurs.

Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

The Company has no significant source of operating cash flow and no revenues from operations. External financing, primarily through the issuance of common shares is the main source of funding for the Company. 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.

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**DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the three and six months ended October 31, 2017 and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

**FORWARD LOOKING STATEMENTS**

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

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

**OTHER INFORMATION**

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