



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2017 and 2016

(Unaudited, expressed in Canadian Dollars, unless otherwise noted)

Notice of no Auditor Review of Interim Financial Statements

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

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

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

REDZONE RESOURCES LTD.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited, expressed in Canadian dollars)
As at

	Note	October 31, 2017 \$	April 30, 2017 \$
Assets			
Current			
Cash		674,741	224,689
Receivables		3,315	5,096
Prepaid expenses and advances		1,938	9,688
		679,994	239,473
Mineral property interests	5	5,490,871	5,777,593
		6,170,865	6,017,066
Liabilities			
Current			
Accounts payable and accrued liabilities	7	68,832	203,810
Equity			
Share capital	6	9,171,977	8,475,178
Contributed surplus	6	1,604,053	1,556,390
Accumulated other comprehensive income (loss)		79,069	259,989
Deficit		(7,211,614)	(7,072,109)
Equity attributable to shareholders		3,643,485	3,219,448
Non-controlling interest		2,458,548	2,593,808
		6,102,033	5,813,256
		6,170,865	6,017,066

Subsequent events (Note 6, 10)

On behalf of the Board:

“Alan Matthews” Director “Michael Murphy” Director

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

REDZONE RESOURCES LTD.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss***(Unaudited, expressed in Canadian dollars)*

For the three and six months ended October 31,

	Note	Three months ended		Six months ended	
		October 31,		October 31,	
		2017	2016	2017	2016
		\$	\$	\$	\$
Business investigation costs		2,886	-	9,703	-
Consulting fees	7	5,920	4,160	13,360	9,360
Exploration costs	7	15,540	35,972	17,496	49,008
Management salaries and benefits		8,333	-	8,333	-
Office administration		29,858	15,794	56,685	31,190
Professional fees		21,871	16,126	38,801	108,116
Share-based payments		-	29,766	-	29,766
Shareholders' information		5,518	4,998	9,477	14,007
Loss from operations for the period		(89,926)	(106,816)	(153,855)	(241,447)
Interest income		1,841	689	3,162	1,151
Loss for the period		(88,085)	(106,127)	(150,693)	(240,296)
Other comprehensive income (OCI)					
Exchange differences on translating foreign operation	2	163,503	129,508	(328,945)	202,571
Total comprehensive income (loss) for the period		75,418	23,381	(479,638)	(37,725)
Loss for the period attributable to:					
Shareholders of the Company		(80,187)	(97,584)	(139,505)	(226,632)
Non-controlling interest (NCI)		(7,898)	(8,543)	(11,188)	(13,664)
		(88,085)	(106,127)	(150,693)	(240,296)
Comprehensive income (loss) for the period attributable to:					
Shareholders of the Company		9,739	(26,355)	(320,425)	(115,218)
Non-controlling interest (NCI)		65,679	49,736	(159,213)	77,493
		75,418	23,381	(479,638)	(37,725)
Loss per share					
Basic and diluted		(0.00)	(0.01)	(0.01)	(0.02)
Weighted average number of common shares outstanding					
Basic and diluted		15,631,284	10,736,774	15,128,967	9,095,455

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

REDZONE RESOURCES LTD.**Condensed Interim Consolidated Statements of Equity***(Unaudited, expressed in Canadian dollars)*

For the three and six months ended October 31,

	Common Shares	Share Capital	Contributed Surplus	AOCI	Deficit	NCI	Total
	#	\$	\$	\$	\$	\$	\$
Balance, April 30, 2016	5,065,146	7,959,651	1,473,011	(24,558)	(6,545,688)	2,340,315	5,202,731
Shares issued pursuant to							
Private placement	5,599,888	503,990	-	-	-	-	503,990
Share issuance costs	-	(16,463)	-	-	-	-	(16,463)
Shares issued pursuant for mineral properties	200,000	28,000	-	-	-	-	28,000
Share-based payments	-	-	29,766	-	-	-	29,766
Contributions by NCI	-	-	-	-	-	30,388	30,388
Net loss for the period	-	-	-	-	(226,632)	(13,664)	(240,296)
OCI for the period	-	-	-	111,414	-	91,157	202,571
Balance, October 31, 2016	10,865,034	8,475,178	1,502,777	86,856	(6,772,320)	2,448,196	5,740,687
Share-based payments	-	-	53,613	-	-	-	53,613
Contributions by NCI	-	-	-	-	-	74,485	74,485
Net loss for the period	-	-	-	-	(299,789)	(70,527)	(370,316)
OCI for the period	-	-	-	173,133	-	141,654	314,787
Balance, April 30, 2017	10,865,034	8,475,178	1,556,390	259,989	(7,072,109)	2,593,808	5,813,256
Shares issued pursuant to							
Private placement	4,766,250	762,600	-	-	-	-	762,600
Share issuance costs	-	(18,138)	-	-	-	-	(18,138)
Warrant valuation	-	(47,663)	47,663	-	-	-	-
Contributions by NCI	-	-	-	-	-	23,953	23,953
Net loss for the period	-	-	-	-	(139,505)	(11,188)	(150,693)
OCI for the period	-	-	-	(180,920)	-	(148,025)	(328,945)
Balance, October 31, 2017	15,631,284	9,171,977	1,604,053	79,069	(7,211,614)	2,458,548	6,102,033

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

REDZONE RESOURCES LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, expressed in Canadian dollars)
For the six months ended October 31,

	2017	2016
	\$	\$
Cash flows from operating activities		
Net loss for the period	(150,693)	(240,296)
Adjustments for:		
Interest income	(3,162)	(1,151)
Share-based payments	-	29,766
Changes in non-cash working capital items:		
Receivables	1,781	(2,710)
Prepaid expenses and advances	7,750	16,479
Accounts payable and accrued liabilities	(134,978)	(31,040)
Net cash used in operating activities	(279,302)	(228,952)
Cash flows from investing activities		
Interest received	3,162	1,151
Mineral property acquisition costs	(43,717)	(23,353)
Net cash (used in) from investing activities	(40,555)	(22,202)
Cash flows from financing activities		
Issuance of common shares	762,600	503,990
Share issuance costs	(18,138)	(16,463)
Contribution by non-controlling shareholder	23,953	30,388
Net cash from financing activities	768,415	517,915
Foreign exchange on cash	1,494	(4,123)
Change in cash for the period	450,052	262,638
Cash, beginning of period	224,689	77,370
Cash, end of period	674,741	340,008
Non-cash investing activities		
Shares issued for mineral property acquisition	-	28,000

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

REDZONE RESOURCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars)

For the three and six months ended October 31, 2017 and 2016

1. Nature of operations

The principal business activities of Redzone Resources Ltd. (the “Company”) include the acquisition and exploration of mineral properties. The Company’s corporate head office is located at Suite 880 – 580 Hornby Street, Vancouver, British Columbia, Canada. The Company’s common shares are listed on the TSX Venture Exchange under the symbol REZ.

2. Basis of presentation

These condensed interim consolidated financial statements for the three and six months ended October 31, 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s April 30, 2017 annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The condensed interim consolidated financial statements have been prepared under the historical cost convention.

These condensed interim consolidated financial statements were approved by the board of directors on December 29, 2017.

The condensed interim consolidated financial statements include the results of the Company and its subsidiaries. The functional currency of the parent company, Redzone Resources Ltd., is the Canadian dollar and the functional currency of the Company’s subsidiary Minas Dixon S.A is the Peruvian Nuevo Sol. The presentation currency of the Company is the Canadian dollar. The statement of financial position of each subsidiary is translated into Canadian dollars using the exchange rate at the statement of financial position date and the statement of operations is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation from the functional currency to the presentation currency are charged to other comprehensive income. During the three and six months ended October 31, 2017, the Company recorded a gain of \$163,503 and a loss of \$328,945, respectively, through other comprehensive income related to the translation of its foreign subsidiaries.

Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation

3. 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.

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

REDZONE RESOURCES LTD.**Notes to the Condensed Interim Consolidated Financial Statements***(Unaudited, expressed in Canadian dollars)*

For the three and six months ended October 31, 2017 and 2016

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.

4. Critical accounting estimates and judgments

For full details on the critical accounting estimates and judgements affecting the Company, please refer to the Company's annual consolidated financial statements and notes for the year ended April 30, 2017.

5. Mineral property interests**Lara Property**

On February 4, 2013, the Company completed the requirements of the Lara option agreement and acquired 55% of Minas Dixon, the registered owner of the Lara property.

The Lara property is subject to a payment of \$500,000 to a past owner at the start of commercial production.

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.

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 and fair valued at \$28,000.)

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

Mineral property interests at October 31, 2017 and April 30, 2017, and the changes for the period then ended, are as follows:

	Lara	Lucky Mica Claim Group	Total
	\$	\$	\$
Balance, April 30, 2016	5,216,304	-	5,216,304
Acquisition costs	-	51,353	51,353
Foreign exchange on mineral property	509,936	-	509,936
Balance, April 30, 2017	5,726,240	51,353	5,777,593
Acquisition costs	-	43,717	43,717
Foreign exchange on mineral property	(330,439)	-	(330,439)
Balance, October 31, 2017	5,395,801	95,070	5,490,871

REDZONE RESOURCES LTD.**Notes to the Condensed Interim Consolidated Financial Statements***(Unaudited, expressed in Canadian dollars)*

For the three and six months ended October 31, 2017 and 2016

6. Share Capital**a) Authorized and issued**

Unlimited common shares, without par value – 15,631,284

Unlimited preferred shares, issuable in series – Nil

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 on additional common share at an exercise price of \$0.24, for a period of two years. The Company fair valued the warrants using the residual method and allocated a value of \$47,663 to the warrants. The Company also incurred share issuance costs of \$18,138 related to the private placement.

On June 29, 2016 the Company closed a non-brokered private placement pursuant to which it issued a total of 5,599,888 units, at \$0.09 per unit, for gross proceeds of \$503,990. Each unit consists of one common share of the Company and one share purchase warrant, with each share purchase warrant entitling the holder to acquire on additional common share at an exercise price of \$0.15, expiring on June 29, 2021. In accordance with the Company's accounting policy, the proceeds were fully allocated to the common shares with a residual value of \$nil allocated to the share purchase warrants. The Company incurred \$16,463 of cash issue costs with respect to this private placement.

b) Stock options

The balance of options outstanding and exercisable as at October 31, 2017 is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life (years)
Balance April 30, 2016	506,000	\$0.10	4.64
Granted	450,000	\$0.19	
Balance April 30, 2017 and October 31, 2017	956,000	\$0.14	3.63

At October 31, 2017 the Company had the following stock options outstanding:

Expiry Date	Exercise Price	Weighted average remaining life (years)	Number of options outstanding and exercisable
October 13, 2020	\$0.10	2.95	272,000
April 4, 2021	\$0.10	3.43	234,000
August 9, 2021	\$0.20	3.78	150,000
February 24, 2022	\$0.18	4.32	300,000
	\$0.14	3.63	956,000

Subsequent to October 31, 2017, the Company granted 600,000 stock options to directors at an exercise price of \$0.14 per option, expiring on November 30, 2022.

REDZONE RESOURCES LTD.**Notes to the Condensed Interim Consolidated Financial Statements***(Unaudited, expressed in Canadian dollars)*

For the three and six months ended October 31, 2017 and 2016

c) Warrants

The balance of warrants outstanding at October 31, 2017 is as follows:

	Number of warrants	Exercise price	Weighted average remaining life (years)
Balance April 30, 2016	-	-	-
Issued	5,599,888	\$0.15	
Balance, April 30, 2017	5,599,888	\$0.15	4.17
Issued	2,383,125	\$0.24	1.60
Balance, October 31, 2017	7,983,013	\$0.18	3.05

7. 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.

8. Segmented Information

The Company has one operating segment, which is mineral exploration and development. Geographic information related to the location of the Company's significant non-current assets as at October 31, 2017 and April 30, 2017 is as follows:

	October 31, 2017	April 30, 2017
	\$	\$
Mineral property interests		
Canada	-	-
USA	95,070	51,353
Peru	5,395,801	5,726,240
Total	5,490,871	5,777,593

REDZONE RESOURCES LTD.**Notes to the Condensed Interim Consolidated Financial Statements***(Unaudited, expressed in Canadian dollars)*

For the three and six months ended October 31, 2017 and 2016

9. Non-controlling interest

The Company owns a 55% controlling interest in Minas Dixon S.A; the remaining 45% is held by Lara Exploration and accounted for as a non-controlling interest. Financial information related to Minas Dixon S.A is as follows:

	October 31, 2017	April 30, 2017
	\$	\$
Current assets	47,831	62,028
Current liabilities	(1,623)	(80,566)
Total liabilities	(781,831)	(796,850)
Mineral property interests	5,497,871	5,726,240

	Three months ended October 31,		Six months ended October 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Loss for the period	(17,551)	(18,983)	(24,862)	(30,364)
Other comprehensive income (loss) for the period	163,503	129,508	(328,945)	202,571
Comprehensive income (loss) for the period	145,952	110,525	(353,807)	172,207
Cash flows for the period:				
Cash flows from (used in) operating activities	(37,869)	(20,523)	(103,805)	(67,337)
Cash flows from financing activities	47,878	-	88,115	66,608
Net increase (decrease) in cash	10,009	(20,523)	(15,690)	(729)
Cash, beginning of period	33,420	19,962	62,027	410
Effect of foreign exchange rates on cash	4,403	561	1,494	319
Cash, end of period	47,832	-	47,832	-

10. Subsequent events

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