



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2017 and 2016

(In Canadian Dollars, unless otherwise noted)



August 17, 2017

Independent Auditor's Report

To the Shareholders of Redzone Resources Ltd.

We have audited the accompanying consolidated financial statements of Redzone Resources Ltd., which comprise the consolidated statements of financial position as at April 30, 2017 and April 30, 2016 and the consolidated statements of loss and comprehensive loss, equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Redzone Resources Ltd. as at April 30, 2017 and April 30, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

REDZONE RESOURCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at

	Note	April 30, 2017 \$	April 30, 2016 \$
Assets			
Current			
Cash		224,689	77,370
Receivables		5,096	13,544
Prepaid expenses and advances		9,688	17,396
		239,473	108,310
Mineral property interests	6	5,777,593	5,216,304
		6,017,066	5,324,614
Liabilities			
Current			
Accounts payable and accrued liabilities	8	203,810	121,883
Equity			
Share capital	7	8,475,178	7,959,651
Contributed surplus	7	1,556,390	1,473,011
Accumulated other comprehensive income (loss)		259,989	(24,558)
Deficit		(7,072,109)	(6,545,688)
Equity attributable to shareholders		3,219,448	2,862,416
Non-controlling interest		2,593,808	2,340,315
		5,813,256	5,202,731
		6,017,066	5,324,614

Subsequent events - Notes 6, 15

On behalf of the Board:

“Alan Matthews”

Director

“Michael Murphy”

Director

REDZONE RESOURCES LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the years ended April 30,

	Note	2017 \$	2016 \$
Amortization		-	4,033
Business investigation costs		31,395	160,010
Consulting fees	8	13,320	12,640
Exploration costs	8	193,522	136,137
Office administration		124,254	55,454
Professional fees		140,563	62,160
Share-based payments	7a,8	83,379	32,394
Shareholders' information		26,191	20,443
Loss from operations for the year		(612,624)	(483,271)
Interest income		2,012	1,537
Loss for the year		(610,612)	(481,734)
Other comprehensive income			
Exchange differences on translating foreign operation		517,358	(52,411)
Total comprehensive loss for the year		(93,254)	(534,145)
Loss for the year attributable to:			
Shareholders of the Company		(526,421)	(410,998)
Non-controlling interest		(84,191)	(70,736)
		(610,612)	(481,734)
Comprehensive (loss) income for the year attributable to:			
Shareholders of the Company		(241,874)	(439,824)
Non-controlling interest		148,620	(94,321)
		(93,255)	(534,145)
Loss per share			
Basic and diluted		(0.05)	(0.08)
Weighted average number of common shares outstanding			
Basic and diluted		9,954,824	5,065,146

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

REDZONE RESOURCES LTD.
Consolidated Statements of Equity
(Expressed in Canadian dollars)
For the years ended April 30,

	Common Shares	Share Capital	Contributed Surplus	AOCI	Deficit	NCI	Total
	#	\$	\$	\$	\$	\$	\$
Balance, April 30, 2015	5,065,146	7,959,651	1,440,617	4,268	(6,134,690)	2,355,902	5,625,748
Share-based payments	-	-	32,394	-	-	-	32,394
Contributions by non-controlling interest	-	-	-	-	-	78,734	78,734
Net loss for the year	-	-	-	-	(410,998)	(70,736)	(481,734)
Other comprehensive loss for the year	-	-	-	(28,826)	-	(23,585)	(52,411)
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 to mineral property interests	200,000	28,000	-	-	-	-	28,000
Share-based payments	-	-	83,379	-	-	-	83,379
Contributions by non-controlling interest	-	-	-	-	-	104,873	104,873
Net loss for the year	-	-	-	-	(526,421)	(84,191)	(610,612)
Other comprehensive income for the year	-	-	-	284,547	-	232,811	517,358
Balance, April 30, 2017	10,865,034	8,475,178	1,556,390	259,989	(7,072,109)	2,593,808	5,813,256

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

REDZONE RESOURCES LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended April 30,

	2017	2016
	\$	\$
Cash flows from operating activities		
Net loss for the year	(610,612)	(481,734)
Adjustments for:		
Amortization	-	4,033
Interest income	(2,012)	(1,537)
Share-based payments	83,379	32,394
Changes in non-cash working capital items:		
Receivables	8,448	(11,476)
Prepaid expenses and advances	7,708	(7,567)
Accounts payable and accrued liabilities	81,927	25,739
Net cash used in operating activities	(431,162)	(440,148)
Cash flows from investing activities		
Interest received	2,012	1,537
Mineral property acquisition costs	(23,353)	-
Net cash (used in) from investing activities	(21,341)	1,537
Cash flows from financing activity		
Issuance of common shares	503,990	-
Share issuance costs	(16,463)	-
Contribution by non-controlling shareholder	104,873	78,734
Net cash from financing activities	592,400	78,734
Foreign exchange on cash	7,422	4,702
Change in cash for the year	147,319	(355,175)
Cash, beginning of year	77,370	432,545
Cash, end of year	224,689	77,370
Non-cash investing activities		
Shares issued for mineral property acquisition	28,000	-

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

REDZONE RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the years ended April 30, 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) with interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements have been prepared under the historical cost convention.

These financial statements were approved by the board of directors on August 17, 2017.

3. Significant accounting policies

Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries. The results of each subsidiary are included in the consolidated financial statements of the Company until the date that the Company’s control over the subsidiary ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements include the results of the Company and its subsidiaries. Details of the Company’s subsidiaries are as follows:

Name	Country of incorporation	Percentage owned April 30,	
		2017	2016
Compania Minera Oyamel, S.A de C.V	Mexico	100%	100%
Minas Dixon S.A (“Minas Dixon” or “Minas”)	Peru	55%	55%

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

Foreign currencies

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Redzone Resources Ltd., is the Canadian dollar; the functional currency of the Company’s subsidiary Compania Minera Oyamel, S.A de C.V is the Mexican Peso and the functional currency of the Company’s subsidiary Minas Dixon S.A is the Peruvian Nuevo Sol. The presentation currency of the consolidated financial statements is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of loss.

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 recorded in other comprehensive income.

REDZONE RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the years ended April 30, 2017 and 2016

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured, subsequent to initial recognition, at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured, subsequent to initial recognition, at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured, subsequent to initial recognition, at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered to be a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company has designated its cash and its receivables as loans and receivables, which are included in current assets due to their short-term nature. At April 30, 2017, the Company had neither available-for-sale nor held-to-maturity financial assets.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized in the statement of loss.

The Company has designated its accounts payable as other financial liabilities, which are included in current liabilities due to their short-term nature. At April 30, 2017, the Company did not have any FVTPL financial liabilities.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

Mineral properties

The Company is in the exploration stage and defers all costs related to the acquisition of mineral properties. This includes payments relating to properties acquired under an option or joint venture agreement. The costs are deferred until such time as the properties are put into commercial production, impaired, sold or abandoned. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as mineral property interests represent acquisition costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Exploration costs that are not acquisition costs but are attributable to a specific property are charged to operations as mineral property exploration costs. Exploration costs incurred prior to the Company acquiring the legal rights to a property are charged to operations.

If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the respective period.

The recovery of deferred acquisition costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

The Company's mineral properties are reviewed for indications of impairment at each reporting period. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Impairment tests are performed on a cash generating unit basis. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and recognized in the consolidated statements of operations.

Management performs an impairment test on mineral properties before the assets are transferred to development properties.

Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligation as the disturbance to date is minimal.

Share-based payments

The Company has established a stock option plan for the benefit of employees, officers, directors and consultants of the Company.

The fair value of all stock options granted is recorded as a charge to operations and a credit to contributed surplus under the graded attribution method. The fair value, as adjusted for the expected level of vesting of the options, is recorded over the vesting period. Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

Income tax

Income tax on the income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to investments in subsidiaries, associates, and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The Company has not recognized any deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

For the unit offerings, the proceeds from the issuance of units are allocated between common shares and common share purchase warrants using the residual method, allocating fair value first to the common shares and then share purchase warrants.

Earnings (loss) per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. During each of the years ended April 30, 2017 and 2016 basic and diluted loss per share are the same. The effect of potential issuances of 6,555,888 (2015 – 506,000) shares in respect of stock options and share purchase warrants were not included in the computation of diluted loss per share as the effect would have been antidilutive.

4. 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 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.

IAS 7 Statement of Cash Flows

In January 2016, IASB amended IAS 7, "Statement of Cash Flows", The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for the Company for reporting periods beginning on or after May 1, 2017. The Company has initially assessed that there will be no material reporting changes as a result of adoption this new standard.

5. Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires estimates and assumptions that affect the amounts reported in these consolidated financial statements. Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

Impairment

Management assesses mineral property interests for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment. In making its assessment, management considers both internal and external information, exploration results to date and future exploration plans. In addition, capitalized costs related to relinquished property rights are written off in the period of relinquishment. Capitalized costs may not be recoverable and there is a risk that these costs may be written down in future periods.

6. 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.

Subsequent to April 30, 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 subsequent to April 30, 2017)
- The issuance and delivery of 300,000 common shares of the Company. (200,000 common shares have been issued 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.

Mineral property interests at April 30, 2017 and April 30, 2016, and the changes for the years 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

REDZONE RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the years ended April 30, 2017 and 2016

7. Share Capital

a) Authorized and issued

Unlimited common shares, without par value – 10,865,034

Unlimited preferred shares, issuable in series – Nil

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 one 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 April 30, 2017 is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life (years)
Balance April 30, 2015	423,000	\$1.38	3.07
Granted	596,000	\$0.10	
Cancelled	(513,000)	\$1.16	
Balance April 30, 2016	506,000	\$0.10	4.64
Granted	450,000	\$0.19	
Balance April 30, 2017	956,000	\$0.14	4.13

At April 30, 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	3.46	272,000
April 4, 2021	\$0.10	3.93	234,000
August 9, 2021	\$0.20	4.28	150,000
February 24, 2022	\$0.18	4.82	300,000
	\$0.14	4.13	956,000

During the year ended April 30, 2017 the Company granted a total of 450,000 (2016 – 596,000) stock options, vesting immediately. The fair value of the options granted is \$0.19 per option and the Company recorded share-based payments expense of \$83,379 (2016 - \$32,394) for the year ended April 30, 2017.

The fair value was determined using the Black-Scholes option pricing model using the following assumptions:

	2017	2016
Risk free rate	0.83%	0.81%
Expected life	5 years	5 years
Expected volatility	238%	234%
Forfeiture rate	-	-
Expected dividends	-	-

REDZONE RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the years ended April 30, 2017 and 2016

c) Warrants

The balance of warrants outstanding at April 30, 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

At April 30, 2017 the Company has 5,599,888 outstanding warrants enabling the holders to acquire 5,599,888 common shares at an exercise price of \$0.15 with an expiry date of June 29, 2021.

8. Related Party Transactions

Compensation paid or payable to Directors, the Chief Executive Officer and the Chief Financial Officer, for services provided during the years ended April 30, 2017 and 2016 was as follows:

	2017	2016
	\$	\$
Consulting fees	13,320	12,640
Share-based payments	83,379	32,341
	96,699	44,981

The Company incurred additional expenditures charged by a director during the years ended April 30, 2017 and 2016 as follows

	2017	2016
	\$	\$
Exploration expense	11,611	-

Included in accounts payable and accrued liabilities at April 30, 2017 is \$19,215 (April 30, 2016 - \$7,786) due to an officer of the Company.

9. Income taxes

The provision for income taxes reported differs from the amounts computed by applying the cumulative federal and provincial income tax rates to the net loss before tax provision due to the following:

	2017	2016
Statutory tax rate	26%	26%
	\$	\$
Loss for the year	(610,612)	(481,734)
Expected income tax-recovery	(157,000)	(124,000)
Difference in foreign tax rate	(7,000)	(6,000)
Non-deductible items and expiry of losses	106,000	(116,000)
Change in unrecognized deductible temporary differences	58,000	246,000
Income tax expense	-	-

REDZONE RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the years ended April 30, 2017 and 2016

Unrecognized deferred tax assets

Deferred tax assets have not been recognized for the following deductible temporary differences:

	2017	2016
	\$	\$
Share issuance costs	13,000	4,000
Non-Capital losses	6,113,000	5,928,000
Other assets	183,000	123,000
	<u>6,309,000</u>	<u>6,055,000</u>

The Company has available for deduction against future taxable income Canadian non-capital losses of approximately \$4,833,000. These losses, if not utilized, will expire between 2026 and 2037. The Company has available for deduction against future taxable income Peruvian tax losses of approximately \$1,280,000. These losses, if not utilized, will expire in various years between 2018 and 2021. The potential benefits of these carry-forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit in the same entity will allow the deferred tax asset to be recovered

10. 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 April 30, 2017 and April 30, 2016 is as follows:

	April 30, 2017	April 30, 2016
	\$	\$
Mineral property interests		
Canada	-	-
USA	51,353	-
Peru	5,726,240	5,216,304

11. 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:

	April 30, 2017	April 30, 2016
	\$	\$
Current assets	62,028	21,705
Current liabilities	(80,566)	(45,177)
Total liabilities	(796,850)	(536,910)
Mineral property interests	5,726,240	5,216,304

REDZONE RESOURCES LTD.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the years ended April 30, 2017 and 2016

	2017	2016
	\$	\$
Loss for the year	(187,092)	(157,192)
Other comprehensive income (loss) for the year	517,358	(52,411)
Comprehensive income (loss) for the year	330,266	(209,603)
Cash flows for the year:		
Cash flows from (used in) operating activities	(130,408)	(175,146)
Cash flows from financing activities	193,311	161,073
Net increase (decrease) in cash	62,903	(14,073)
Cash, beginning of year	409	12,964
Effect of foreign exchange rates on cash	(1,285)	1,518
Cash, end of year	62,027	409

12. 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.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign currency risk

A portion of the Company's financial assets and liabilities are denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in Peru and the USA. As at April 30, 2017, future changes in exchange rate would not have a material impact on the Company's financial instruments. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

The Company's liquidity requirements arise principally from the need to finance operating and exploration costs. The Company's approach to managing liquidity risk is to manage expenditures in a manner which ensures that it will have sufficient cash on hand to meet liabilities when due. The Company actively evaluates opportunities to minimize operating expenditures and plans its exploration activities to maintain liquidity.

13. Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets. As at April 30, 2017, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any capital requirements imposed by a regulator.

14. Contingencies

The Company has approved a compensation package to the Chief Executive Officer. On the completion of a corporate acquisition or merger, bonuses of up to 500,000 stock options, restricted share unit's equal to 1% of the value of the transaction and cash in the amount equal to 0.25% of the value of the transaction would become payable. As at April 30, 2017 no corporate acquisition or merger has been entered into and therefore no accrual for the compensation package has been recorded.

15. Subsequent event

Subsequent to April 30, 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.