ARMADILLO RESOURCES LTD.

(AN EXPLORATION STAGE COMPANY)

INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

THREE AND SIX MONTHS ENDED

NOVEMBER 30, 2011

NOTICE TO READER

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

The accompanying unaudited interim financial statements for the three and six months ended November 30, 2011 have been prepared in accordance with the standards established by the Canadian Institute of Chartered Accountants. They were prepared by the Management and approved by the Board of Directors and the Audit Committee of the Corporation. These interim financial statements have not been reviewed by the Company’s auditors.

ARMADILLO RESOURCES LTD.
INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Expressed in Canadian Dollars)

	November 30, 2011	May 31, 2011	June 1, 2010
Assets			
Current			
Cash and cash equivalents	$ 12,943	$ 102,689	$ 8,362
Amounts receivable (note 4)	14,625	55,967	31,520
Prepaid expenses	12,857	26,950	-
	40,425	185,606	39,882
Reclamation bond	7,500	7,500	7,500
Restricted investment (Note 5)	23,000	23,000	23,000
Deferred acquisition costs (Note 6 and 12)	9,165,750	8,817,885	-
Security deposit	1,000	1,000	1,000
Mineral properties (Note 7)	1,313,469	1,249,243	924,774
Equipment (Note 8)	28,229	31,974	7,560
	$ 10,579,373	$ 10,316,208	$ 1,003,716
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 10)	$ 210,476	$ 148,311	$ 120,712
Due to related party (Note 11)	-	-	20,973
Promissory note payable (Note 12)	400,350	327,540	-
Current portion of capital lease obligation (Note 13)	1,754	1,169	-
	612,580	477,020	141,685
Capital lease obligation (Note 13)	5,057	5,642	-
	617,637	482,662	141,685
Shareholders' Equity			
Share Capital (Note 14)	11,302,621	11,302,621	1,353,050
Share subscription receivable (Note 14)	-	(36,000)	(10,000)
Share subscription advance (Note 14)	332,500	-	-
Share Compensation Reserves (Note 14)	675,280	517,901	231,368
Deficit	(2,348,665)	(1,950,976)	(712,387)
	9,961,736	9,833,546	862,031
	$ 10,579,373	$ 10,316,208	$ 1,003,716

Nature of operations and going concern (Note 1)
Commitment (Note 17)
Subsequent (Note 18)

Approved on behalf of the Board:

"Les Kjosness" Director *"Corey Klassen"* Director

The accompanying notes are part of these interim financial statements.

ARMADILLO RESOURCES LTD.
INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited – Expressed in Canadian Dollars)

		Three Months Ended November 30, 2011		Three Months Ended November 30, 2010		Six Months Ended November 30, 2011		Six Months Ended November 30, 2010
Expenses								
Accounting and legal	$	20,250	$	1,900	$	26,250	$	7,900
Consulting fees		33,215		9,750		54,015		20,250
Depreciation expense		1,811		634		3,745		634
Filing and transfer fees		4,991		16,649		8,044		21,110
Investor relations		10,580		27,218		38,050		27,961
Legal		5,300		2,500		6,870		4,640
Management fees		19,500		19,500		39,000		39,000
Office		6,411		6,903		16,807		13,196
Rent		8,715		8,034		17,431		16,068
Share-based payments		-		-		157,379		27,155
Travel		2,052		635		9,671		1,628
Wages and benefits		10,282		7,679		20,647		14,436
Total expenses		(123,107)		(101,402)		(397,909)		(193,978)
Other income (loss)								
Interest expense (income)		(220)		-		(220)		-
Net loss and comprehensive loss	$	(122,887)	$	(101,402)	$	(398,129)	$	(193,978)
Basic diluted loss per share	$	(0.00)	$	(0.01)	$	(0.01)	$	(0.01)
Weighted average number of common shares		76,422,921		16,897,267		51,585,905		14,591,415

The accompanying notes are part of these interim financial statements.

ARMADILLO RESOURCES LTD.
INTERIM STATEMENTS OF EQUITY
(Unaudited – Expressed in Canadian Dollars)

	Common Shares										
	Number of Shares		Amount		Share Compensation Reserve		Share Subscriptions Received		Accummulated Comprehensive Income (Loss)		Total
Balances June 1, 2010	10,525,500	$	1,353,050	$	231,368	$	(10,000)	$	(712,387)	$	862,031
Shares issued for:											
Private placements	10,083,000		1,008,300		-		-		-		1,008,300
Warrants excercised	763,000		107,820		-		-		-		107,820
Issued as finder's fee	81,500		8,150		-		-		-		8,150
Share issue costs	-		(37,011)		-		-		-		(37,011)
Share subscription receivable	-		-		-		453,400		-		453,400
Stock based payments	-		-		27,155		-		-		27,155
Net loss and comprehensive loss	-		-		-		-		(193,978)		(193,978)
Balances November 30, 2010	21,453,000	$	2,440,309	$	258,523	$	443,400	$	(906,365)	$	2,235,867
Balances May 31, 2011	76,422,921	$	11,302,621	$	517,901	$	(36,000)	$	(1,950,976)	$	9,833,546
Shares issued for:											
Share subscriptions receivable	-		-		-		36,000		-		36,000
Share subscriptions advanced	-		-		-		332,500		-		332,500
Stock-based compensation	-		-		157,379		-		-		157,379
Flow-through share renunciation	-		-		-		-		-		-
Net loss and comprehensive loss	-		-		-		-		(397,689)		(397,689)
Balances November 30, 2011	76,422,921	$	11,302,621	$	675,280	$	332,500	$	(2,348,665)	$	9,961,736

The accompanying notes are part of these interim financial statements.

ARMADILLO RESOURCES LTD.
INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Expressed in Canadian Dollars)

		For the Six Months Ended November 30, 2011		For the Six Months Ended November 30, 2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net loss for the year	$	(397,689)	$	(193,978)
Adjustment for items not involving cash:				
Depreciation expense		3,745		634
Share-based payments		157,379		27,155
Changes in non-cash working capital				
Decrease (increase) in receivables		41,342		3,318
Decrease (increase) in prepaids		14,093		-
Decrease (increase) in accounts payable and accrued liabilities		62,165		(45,108)
Promissory notes and interests payable		72,810		-
Net cash flows from (used in) operating activities		(46,155)		(207,979)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Acquisitions and expenditures on mineral properties		(194,491)		(568,572)
Mining tax credit received		130,265		-
Mineral property deposits and advances		(347,865)		(928,097)
Deposit		-		(8,415)
Net cash flows from (used in) investing activities		(412,091)		(1,505,084)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Shares issued for cash		-		1,097,259
Share subscription received		368,500		443,400
Share subscription advance		-		477,000
Net cash flows from (used in) financing activities		368,500		2,017,659
(Decrease) in cash and cash equivalents		(89,746)		304,596
Cash and cash equivalents, beginning of year		102,689		8,362
Cash and cash equivalents, end of year		12,943		312,958
Interest paid in cash	$	-	$	-
Income tax paid in cash	$	-	$	-

The accompanying notes are part of these interim financial statements.

1. NATURE OF OPERATIONS

Armadillo Resources Ltd. (the "Company") was incorporated on May 4, 2007 under the laws of British Columbia. The Company's principal business activity is the acquisition and exploration of mineral properties and is considered to be in the exploration stage. The Company's head office is located at Suite 411 – 470 Granville Street, Vancouver, BC, V6C 1V5. The Company is listed on the Canadian National Stock Exchange under the symbol ARO.

The Company is in the process of acquiring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The Company has incurred recurring losses since its inception, and has an accumulated deficit of $2,354,665 at November 30, 2011 which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34"). The interim financial statements were authorized for issue in accordance with a resolution of the Directors on January 30, 2012.

These are the Company's first IFRS interim financial statements for part of the period covered by the Company's first IFRS annual financial statements for the year ending May 31, 2012. Previously, the Company prepared its annual and condensed interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Basis of presentation

The financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS.

The preparation of financial statements in conformity with IAS 34 requires Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim consolidated financial statements do not include all of the information required for full annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS balance sheet at June 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from Canadian GAAP to IFRS is explained in Note 3.

Foreign currencies

The financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Canadian dollars, which is the Company’s presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on the statement of financial position date are recognized in the income statement or are attributable to the net investment in a foreign operation.

Cash and Cash Equivalents

Cash is comprised of cash on hand and demand deposits. Equivalents are short-term, highly liquid investments with original maturities of three months or less, or redeemable at the option of the Company, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Cash equivalents equaled $12,943 as at November 30, 2011 (May 31, 2011 - $102,689, June 1, 2010 - $8,362).

Exploration and Evaluation Assets

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mineral property assets within property, plant, and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant, and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is primarily calculated using the declining balance method applying the following annual rates:

Computer Equipment and Software	–	30%
Vehicles	–	20%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment of assets

At the end of each reporting period, the Company assesses all cash generating units to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Decommissioning, restoration and similar liabilities ("Asset retirement obligation")

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The future obligations for well closure activities are estimated by the Company using well closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the wells operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by Management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the well closure activities are to be carried out.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning, restoration and similar liabilities ("Asset retirement obligation") (continued)

The present value of decommissioning and site restoration provision as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. The provision is discounted using a nominal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. The related decommissioning provision is recorded as part of the mineral property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the statement of operations.

The Company has no asset retirement obligations recognized as of November 30, 2011, May 31, 2011 and June 1, 2010.

Income Taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the balance sheet date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 which are classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and equivalents are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's prepaid expenses, receivables, due from related parties, and conservation bonds are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. The Company has not classified any financial assets as available for sale.

Transactions 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.

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 subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, short-term loans, due to related parties, and subscriptions received and advance are classified as other financial liabilities.

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 and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in statement of comprehensive profit or loss.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the gain or loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based Compensation

The fair value method of accounting is used for stock-based awards issued to employees and non-employees. Under this method, stock options, restricted shares and restricted share units issued to employees are recorded at their estimated fair value on the grant date and are charged either to the statement of comprehensive profit or loss or capitalized to development costs over the vesting period with a corresponding credit to reserves. For stock-based awards issued to non-employees, the awards are fair valued at each balance sheet date with any changes in the fair value charged to the statement of comprehensive profit or loss or capitalized to development costs. If the stock options are exercised, the proceeds are credited to share capital and the fair value of the options exercised is reclassified from reserves to share capital. Restricted shares are issued from treasury at date on the grant and are fair valued at the date of grant. The fair value is either charged to the statement of comprehensive profit or loss or capitalized to development costs over the vesting period. On the vesting date, the fair value is transferred from reserves to share capital. For options subject to vesting, the Company calculates the fair value of each vesting period as separate awards with individual expected lives and amortizes the calculated expense for the award on a straight-line basis over the vesting period of the award. The forfeiture rate is reviewed on quarterly basis to determine the appropriate forfeiture rate based on past, present and expected forfeitures. The fair value of stock-based awards is trued up on vesting.

New Standards, Amendments and Interpretations Not Yet Effective

Certain new standards, interpretations and amendments to existing standards are not yet effective as of May 31, 2011 and have not been applied in preparing these Interim Financial Statements. None of these are expected to have a material effect on the financial statements of the Company.

<u>Accounting standards effective January 1, 2012</u>

Financial instruments disclosure
In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

Income taxes
In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provide a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards, Amendments and Interpretations Not Yet Effective (continued)

Accounting standards anticipated to be effective January 1, 2013

Joint ventures
The IASB issued IFRS 11 – Joint Arrangements on May 12, 2011. IFRS 11 eliminates the Company's choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company is currently evaluating the impact IFRS 11 is expected to have on its consolidated financial statements.

Consolidation
On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB's project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Financial instruments
IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

Fair-value measurement
IFRS 13, Fair Value Measurement: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 13.

3. ADOPTION OF IFRS

The Company has adopted IFRS with a transition date of June 1, 2010. Under IFRS 1 'First-time Adoption of International Financial Reporting Standards', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to deficit unless certain exemptions are applied.

The guidance for first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company is applying the following exemptions on first-time adoption of IFRS:

- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;
- to not account for business combinations that occurred prior to the Transition Date using the principles of IFRS 3 – Business Combinations and instead retain the accounting treatment applied under Canadian GAAP;
- to apply IAS 17, Leases, as of the date of adoption rather than the lease inception date;
- to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date; and
- to apply the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as at the Transition Date. The Company re-measured all provisions, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This was done using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion, and amortization under IFRS up to the Transition Date.

The IFRS 1 elections, identified above, and the significant accounting policies, set out in note 2, have been applied in preparing these interim financial statements and selected unaudited comparative information presented below. The following tables reconcile the Company's unaudited interim statements of financial position and statements of loss and comprehensive loss with those prepared in accordance with Canadian GAAP and as previously reported to those prepared and reported in these interim financial statements in accordance with IFRS.

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

Statement of Financial Position June 1, 2010	**Note**	**Canadian GAAP**	**IFRS Adjustments**	**IFRS**
Assets				
Current				
Cash and cash equivalents		$ 8,362	$ -	$ 8,362
Amounts receivable		31,520	-	31,520
Prepaid expenses		-	-	-
		39,882	-	39,882
Reclamation bond		7,500	-	7,500
Restricted investment		23,000	-	23,000
Security deposit		1,000	-	1,000
Mineral properties		924,774	-	924,774
Equipment		7,560	-	7,560
		$ 1,003,716	$ -	$ 1,003,716
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 120,712	$ -	$ 120,712
Due to related party		20,973	-	20,973
		141,685	-	141,685
Shareholders' equity				
Share capital		1,353,050	-	1,353,050
Share subscription receivable		(10,000)	-	(10,000)
Share compensation reserves		231,368	-	231,368
Deficit		(712,387)	-	(712,387)
		862,031	-	862,031
		$ 1,003,716	$ -	$ 1,003,716

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

Statement of Financial Position November 30, 2010	**Note**	**Canadian GAAP**	**IFRS Adjustments**	**IFRS**
Assets				
Current				
Cash and cash equivalents		$ 312,958	$ -	$ 312,958
Amounts receivable		28,202	-	28,202
Prepaid expenses		-	-	-
		341,160	-	341,160
Reclamation bond		7,500	-	7,500
Restricted investment		23,000	-	23,000
Deferred acquistion costs	6,12	857,597	70,500	928,097
Deposit		8,415	-	8,415
Security deposit		1,000	-	1,000
Mineral properties		1,493,346	-	1,493,346
Equipment		6,926	-	6,926
		$ 2,738,944	$ 70,500	$ 2,809,444
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 91,795	$ -	$ 91,795
Due to related party		1,782	-	1,782
Promissory notes payable		477,000	-	-
Accrued interests		3,000	-	-
		573,577	-	93,577
Shareholders' equity				
Share capital		2,440,309	-	2,440,309
Share subscription advanced		443,400	-	443,400
Share compensation reserves		258,523	-	258,523
Deficit		(976,865)	70,500	(906,365)
		2,165,367	70,500	2,235,867
		$ 2,738,944	$ 70,500	$ 2,329,444

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

Statement of profit or loss **Three months ended November 30, 2010**	Note	Canadian GAAP	IFRS Adjustments	IFRS
Expenses				
Accounting and legal		7,900	-	7,900
Consulting fees		20,250	-	20,250
Filing and transfer fees		21,110	-	21,110
Investor relations		27,961	-	27,961
Legal		4,640	-	4,640
Management fees		39,000	-	39,000
Office		13,196	-	13,196
Rent		16,068	-	16,068
Financial service fees	6,12	67,500	(67,500)	-
Share-based payments		27,155	-	27,155
Travel		1,628	-	1,628
Wages and benefits		14,436	-	14,436
Amortization		634	-	634
Total expenses		(261,478)	(67,500)	193,978
Other income (loss)				
Interest expense	6,12	3,000	(3,000)	-
Net loss and comprehensive loss		(264,478)	(70,500)	(193,978)

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

Statement of Cashflows Six Months Ended November 30, 2010	Note		Canadian GAAP		IFRS Adjustments	
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES						
Net loss for the year	6,12	$	(264,478)	$	70,500	$
Adjustment for items not involving cash:						
Amortization			634		-	
Share-based payments			27,155		-	
			(236,689)		70,500	
Changes in non-cash working capital						
Increase in amounts receivable			3,318		-	
Prepaid expense			-		-	
Due to related parties			-		-	
Increase (decrease) in accounts payable and accrued liabilities			(45,108)		-	
Net cash flows from (used in) operating activities			(278,479)		70,500	
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisitions and expenditures on mineral properties			(568,572)		-	
Mining tax credit received			-		-	
Mineral property deposits and advances	6,12		(857,597)		(70,500)	
Deposit			(8,415)		-	
Net cash flows from (used in) investing activities			(1,434,584)		(70,500)	
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Shares issued for cash, net			1,097,259		-	
Share subscription advanced			443,400		-	
Proceeds from promissory notes			477,000		-	
			2,017,659		-	
(Decrease) in cash and cash equivalents			304,596		-	
Cash and cash equivalents, beginning of year			8,362		-	
Cash and cash equivalents, end of year			312,958		-	
Interest paid in cash		$	56,708	$	-	
Income tax paid in cash		$	-	$	-	

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

Statement of Financial Position May 31, 2011	Note	Canadian GAAP	IFRS Adjustments	IFRS
Assets				
Current				
Cash and cash equivalents		$ 102,689	$ -	$ 102,689
Amounts receivable		55,967	-	55,967
Prepaid expenses		26,950	-	26,950
		185,606	-	185,606
Reclamation bond		7,500	-	7,500
Restricted investment		23,000	-	23,000
Deferred acquisition costs	6,12	8,648,677	169,208	8,817,885
Security deposit		1,000	-	1,000
Mineral properties		1,249,243	-	1,249,243
Equipment		31,974	-	31,974
		$ 10,147,000	$ 169,208	$ 10,316,208
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 148,311	$ -	$ 148,311
Promissory note payable		327,540	-	327,540
Current portion of capital lease obligation		1,169	-	1,169
		477,020	-	477,020
Capital lease obligation		5,642	-	5,642
		482,662	-	482,662
Shareholders' equity				
Share capital	3b	11,251,371	51,250	11,302,621
Share subscription receivable		(36,000)	-	(36,000)
Share compensation reserves		517,901	-	517,901
Deficit		(2,068,934)	117,958	(1,950,975)
		9,664,338	169,208	9,833,546
		$ 10,147,000	$ 169,208	$ 10,316,208

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

Statement of profit or loss **Year ended May 31, 2011**	Note	Canadian GAAP	IFRS Adjustments	IFRS
Expenses				
Accounting and legal		$ 19,900	$ -	$ 19,900
Amortization		4,421	-	4,421
Consulting fees		150,060	-	150,060
Filing and transfer fees		39,305	-	39,305
Finance fees	6,12	112,500	(112,500)	-
Foreign exchange		32,786	-	32,786
Interest expense/(income)	6,12	56,107	(56,708)	(601)
Investor relations		208,543	-	208,543
Legal		28,243	-	28,243
Management fees		78,000	-	78,000
Office		33,355	-	33,355
Property investigation costs		45,937	-	45,937
Rent		32,638	-	32,638
Sponsorship fees		15,000	-	15,000
Share-based payments		238,562	-	238,562
Travel		20,931	-	20,931
Wages and benefits		41,359	-	41,359
Loss before other items and taxes		(1,157,647)	(169,208)	(988,440)
Other income				
Impairment of mineral property (note 6)		(250,150)	-	(250,150)
Loss before taxes		(1,407,797)	(169,208)	(1,238,589)
Future income tax recovery	3b	51,250	(51,250)	-
Deferred income tax expenses		-	-	-
Net loss and comprehensive loss		$ (1,356,547)	$ (389,665)	$ (1,238,589)

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

Statement of Cashflows

Year Ended May 31, 2011	Note	Canadian GAAP	IFRS Adjustments	IFRS
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net loss for the year		$ (1,356,547)	$ 90,471	$ (1,266,076)
Adjustment for items not involving cash:				
Amortization		4,421	-	4,421
Future income tax recovery	3b	(51,250)	51,250	-
Deferred acquisition costs	6,12	-	(141,721)	(141,721)
Share-based payments		238,562	-	238,562
Shares issued for consulting services		67,200	-	67,200
		(1,097,614)	-	(1,097,614)
Changes in non-cash working capital				
Increase in amounts receivable		(24,447)	-	(24,447)
Prepaid expense		(26,950)	-	(26,950)
Due to related parties		(20,973)	-	(20,973)
Increase (decrease) in accounts payable and accrued liabilities		(3,861)	-	(3,861)
Net cash flows from (used in) operating activities		(1,173,845)	-	(1,173,845)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Acquisitions and expenditures on mineral properties		(379,013)	-	(379,013)
Mining tax credit received		121,044	-	121,044
Purchase of equipment		(22,024)	-	(22,024)
Mineral property deposits and advances		(1,891,177)	-	(1,891,177)
Net cash flows from (used in) investing activities		(2,171,170)	-	(2,171,170)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Shares issued for cash, net		3,130,342	-	3,130,342
Proceeds from promissory notes		309,000	-	309,000
		3,439,342	-	3,439,342
(Decrease) in cash and cash equivalents		94,327	-	94,327
Cash and cash equivalents, beginning of year		8,362	-	8,362
Cash and cash equivalents, end of year		102,689	-	102,689
Interest paid in cash		$ 56,708	$ -	$ 56,708
Income tax paid in cash		$ -	$ -	$ -

Notes to the IFRS reconciliation are as follows:

a) IAS 23 requires that borrowing costs be capitalized if they are directly attributable to the acquisition, development or construction of a qualifying asset. A portion of the borrowing costs had previously been expensed under Canadian GAAP has been capitalized to deferred acquisition costs. The total amount capitalized was $27,810 at the transition date November 30, 2011 (June 1, 2010 - $Nil; May 31, 2011 - $169,208).

(Unaudited – Expressed in Canadian Dollars)

3. ADOPTION OF IFRS (continued)

b) Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under IFRS, the premium paid for the flow-through feature is recorded as a flow-through share premium liability and is included in income at the time the qualifying expenditures are made. Under Canadian GAAP, the gross proceeds received on flow-through share issuances were initially recorded as share capital or warrants. Under IFRS, the deferred tax liability is recorded through a charge to income tax expense less the reversal of the flow-through share premium previously reported when the expenditures are incurred. Under Canadian GAAP, the carrying value of the shares or warrants issued was reduced, and the future income tax liability of the Corporation was increased, by the estimated value of the renounced income tax deductions when the related flow-through expenditures were renounced to the subscribers and the prescribed forms were filed with the Canada Revenue Agency.

c) As a result, under IFRS, the Company decreased flow-though share premium by $51,250 as at June 1, 2010 and November 30, 2010, ($nil as at May 31, 2011) and correspondingly increased share capital by the same amounts. The adjustment is the reversal of the flow-through share premium previously recorded. There is no Income tax liability recorded as of May 31, 2011 and November 30, 2011.

4. RECEIVABLES

Receivables consist of the followings:

	November 30, 2011	May 31, 2011	June 1, 2010
GST receivables	$14,625	$55,967	$31,520
Total	$14,625	$55,967	$31,520

5. RESTRICTED INVESTMENTS

The Company has pledged a $23,000 GIC as security held on a corporate credit card as of November 30, 2011 (May 31, 2011 - $23,000; June 1, 2010 - $23,000).

6. DEFERRED ACQUISITION COSTS

During fiscal 2011 the Company entered into an acquisition agreement (the "Acquisition") to acquire 99% of the outstanding shares of Amazonia Capital E Participacoes Ltd. ("Amazonia"). As at November 30, 2011 and May 31, 2011 the Acquisition of Amazonia has not closed and pre-closing payments made in cash and shares of the Company are recorded as deferred acquisition costs as follows:

	November 30, 2011	**May 31, 2011**
Cash payments	2,211,232	$ 1,891,177
Shares issued as consideration	6,375,000	6,375,000
Shares issued for finders' fees	382,500	382,500
Interest and finance costs	197,018	169,208
Deferred acquisition costs	9,165,750	$ 8,817,885

6. DEFERRED ACQUISITION COSTS (continued)

As at November 30, 2011 the Company has made cumulative cash payments of $2,211,232 and issued 37,500,000 shares as consideration for the Acquisition. The Company also accrued interest and finance costs of $197,018 on note promissory related to the transaction and recorded as deferred acquisition costs deposits. An additional 2,250,000 shares of the Company were issued as finders' fees. Subsequent to quarter ended the ownership transfer of the Amazonia shares to the shares of Amazonia have been received by the Company.

Upon closing the Company assumes the responsibility for 100% of all costs and expenses related to Amazonia, including property taxes, ongoing exploration, preparation and filing of NI 43-101 report, as well as management and consulting fees and expenses payable to John Young and other approved third party management or consultant fees and expenses; specifically a US$10,000 per month consulting agreement payable to John Young with a term from March 1, 2011 to February 28, 2013.

Additionally upon closing the Company assumes the responsibility for $1,420,000 of Amazonia's loans payable and will issue a two-year convertible promissory note with an interest rate at 3% per annum paid annually. The principal amount and any unpaid interest amount at the time of conversion are convertible, after one year, into common shares of the Company at Company's discretion, at a conversion price equal to the average closing price of common shares of the Company in the ten trading days prior to notice of intent to convert.

If at any time the Company acquires mining permits in respect of Amazonia's properties and commences production, such production is subject to a 2.5% net smelter return royalty to the vendor of Amazonia on precious and semi-precious metals produced from the property and a 2.5% gross over-riding royalty on diamonds and all non-smelter products produced from the property. 1.5% of the royalty, such that the vendor shall then have a 1% royalty, can be purchased by the Company for an additional cash payment of US$1,000,000.

(Unaudited – Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

	Waverley-Tangier	Wakefield	LD Property	Total
2011				
Acquisition costs				
Balance, May 31, 2011	$ 326,876	$ -	$ 500,000	$ 826,876
Additions during six months ended November 30, 2011				
Property payment	8,458	-	-	8,458
Total acquisition costs	335,334	-	500,000	835,334
Exploration costs				
Balance, May 31, 2011	422,367	-	-	422,367
Additions during six months ended November 30, 2011				
Exploration cost	186,033	-	-	186,033
Mining tax credit received	(130,265)	-	-	(130,265)
Total exploration costs	478,135	-	-	478,135
Impairment loss write-down	-	-	-	-
Balance, November 30, 2011	$ 813,469	$ -	$ 500,000	$ 1,313,469

	Waverley-Tangier	Wakefield	LD Property	Total
2010				
Acquisition costs				
Balance, June 1, 2010	$ 210,376	$ 250,150	$ 40,000	$ 500,526
Additions during six months ended November 30, 2010				
Property payment	-	-	460,000	120,000
Property maintenance	-	-	-	-
Total acquisition costs	210,376	250,150	500,000	960,526
Exploration costs				
Balance, June 1, 2010	424,248	-	-	424,248
Additions during six months ended November 30, 2010				
Field work	113,232	-	-	113,232
Mining tax credit received	(4,660)	-	-	(4,660)
	108,572	-	-	108,572
Total exploration costs	532,820	-	-	532,820
Balance, November 30, 2010	$ 743,196	$ 250,150	$ 500,000	$ 1,493,346

(Unaudited – Expressed in Canadian Dollars)

7. MINERAL PROPERTIES (continued)

Waverley-Tangier Property – British Columbia

Pursuant to the amended and restated option and royalty agreement dated February 25, 2009 with Silver Phoenix Resource Inc., the Company agreed to acquire a 60% interest (the "First Option") in a block of 25 contiguous mineral claims known as Waverley-Tangier property (the "Property") located in the Revelstoke Mining Division of British Columbia. To earn its interest, the Company agreed to pay $350,000, incur $3,000,000 of exploration expenditures and issue 625,000 common shares as follows:

	Cash	Exploration Expenditures	Shares
Within 10 days from March 24, 2009 (completed)	$ 75,000	$ –	175,000
Before March 24, 2010 (i)	75,000	200,000	150,000
Before March 24, 2011(ii)	100,000	300,000	150,000
Before March 24, 2012	100,000	1,000,000	150,000
Before March 24, 2013	–	1,500,000	–
	$ 350,000	$ 3,000,000	625,000

(i) During 2010, the Company issued the shares, incurred the exploration expenditures, and made a $75,000 cash payment subsequent to May 31, 2010.
(ii) During 2011, the Company made a $50,000 cash payment, issued 150,000 common shares, and the remaining $50,000 payment outstanding is included in accounts payable as at November 30, 2011.

The Company agreed to pay for and deliver to the optionor a Feasibility Study, as defined in National Instrument 43-101, no later than December 31, 2015. The Company is to deliver to the optionor the exercise notice within 30 days from the delivery of the Feasibility Study to the optionor.

The Company is also entitled to earn an additional 10% interest (the "Second Option") in the Property by:

a) lending the optionor, at the lowest interest rate available and in no case greater than the London Interbank Offered Rate ("LIBOR") plus ½%, all of the amounts that will be payable by the optionor under the joint operations of the Property (the "Joint Venture"),
b) causing the Joint Venture to put the Property into commercial production.

The Property is subject to a 3% net smelter return ("NSR") royalty and the Joint Venture will pay annual advance royalty payments of $150,000 commencing on January 1, 2015 until the Property is put into commercial production. The advance royalty payments will be deducted from the NSR payments otherwise needed to be made.

Wakefield Claims – Saskatchewan

Pursuant to a mineral property acquisition agreement dated March 18, 2009, the Company acquired a 100% interest in the Wakefield claims in Saskatchewan. During the year ended May 31, 2011, the Company decided not to renew these claims. As a result, the carrying value was written down to $nil.

(Unaudited – Expressed in Canadian Dollars)

7. MINERAL PROPERTIES (continued)

LD Property – British Columbia

The Company entered into an option agreement on April 24, 2010 to acquire a 100% interest in the LD Property mineral claims located in the Atlin Mining Division in the Province of British Columbia, Canada for payments totaling $500,000, which have been paid. There is a net smelter royalty of 3% of the value of minerals produced and delivered from the claims. The Company has the first right of refusal to purchase 1% of the NSR by paying $1,000,000 for 1%.

8. EQUIPMENT

Cost		**Truck**		**Computer and equipment**		**Total**
As at June 1, 2010	$	6,500	$	2,011	$	8,511
Additions		-		-		-
As at November 30, 2010		6,500		2,011		8,511

Accumulated Depreciation	**Truck**	**Computer and equipment**	**Total**
As at June 1, 2010	651	300	951
Depreciation	434	200	634
As at November 30, 2010	1,085	500	1,585

Cost	**Truck**	**Computer and equipment**	**Total**
As at May 31, 2011	21,945	15,401	37,346
Additions	-	-	-
As at November 30, 2011	21,945	15,401	37,346

Accumulated Depreciation	**Truck**	**Computer and equipment**	**Total**
As at May 31, 2011	3,365	2,007	5,372
Depreciation	1,812	1,934	3,746
As at November 30, 2011	5,177	3,941	9,118

Net book value:		**Truck**		**Computer and equipment**		**Total**
As at June 1, 2010		5,849		1,711		7,560
As at November 30, 2010		5,415		1,511		6,926
As at May 31, 2011		18,580		13,394		31,974
As at November 30, 2011	$	16,768	$	11,460	$	28,229

(Unaudited – Expressed in Canadian Dollars)

9. RECLAMATION BOND

Conservation bond (the "Bond") represents a reclamation bond, which is required by the Department of Mining & Minerals Division. On May 11, 2009, the Company had deposited $7,500) to Ministry of Energy, Mines and Petroleum Resources and the Bond is subject to a written demand by the Board for delivery of the proceeds pursuant to the conditions of the Bond. This assignment to the Board remains in effect until revoked in writing by the Board. The Bond is no interest bearing.

As of November 30, 2011, the Company had reclamation bond of $7,500) (May 31, 2011 - $7,500; June 1, 2010 - $7,500).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Due within the periods		November 30, 2011		May 31, 2011		June 1, 2010
Trade payables	$	149,768	$	116,851	$	66,685
Project payables		50,000		50,000		75,000
Payroll and other payables		411,058		309,000		-
	$	610,826	$	475,851	$	141,685

11. RELATED PARTY TRANSACTIONS

The Company has identified its Directors and certain senior Offices as its key Management personnel. The compensation costs for key Management personnel for the six months period ended November 30, 2011 and 2010 as follows:

		November 30, 2011		**November 30, 2010**
Management and consulting fees	$	57,315	$	40,250
Stock-based payments		-		24,295
Total	$	57,315	$	64,545

During the period ended November 30, 2011, the Company incurred $39,000 and $18,315 (2010 - $39,000 and $1,250) in Management and consulting fees for Officers of the Company and a company owned by an officer of the Company and paid stock-based payments of $Nil (2010 - $24,295) to Officers and Directors of the Company.

The Company paid consulting fees of $8,000 (2010 - $6,000) to a company controlled by a former Director and Officer of the Company.

As of November 30, 2011, the amount due to related parties consists of $3,709 (May 31, 2011 - $nil; and June 1, 2010 - 20,973) owing to Officers and Directors and company controlled by Officers and a Director.

All related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Unaudited – Expressed in Canadian Dollars)

12. PROMISSORY NOTE

A promissory note of $309,000 is outstanding as at November 30, 2011 which is payable with accrued interest of $46,350 and a financing fee of $45,000; for a total of $400,350. The promissory note bears interest at 1.5% interest per month or any portion of a month and is currently due upon demand as the balance was fully payable on April 3, 2011. During fiscal 2011 the Company had issued two additional promissory notes as bridge financing which were repaid along with combined financing fees of $67,500. In fiscal 2011 the Company incurred $112,500 in total finance fees on promissory notes which are recorded in deferred acquisition costs.

13. OBLIGATION UNDER CAPITAL LEASE

The Company entered into a capital lease for a period of 5 years for a photocopier. The lease contract is repayable in monthly instalments of $147. The payment includes principal plus interest. The lease has a bargain purchase option of $10 at the end of the lease.

	November 30, 2011	May 31, 2011
Total amount of future minimum lease payments	$ 8,526	$ 8,526
Interest included in instalments	1,715	1,715
Obligation under capital lease	6,811	6,811
Current portion	(1,754)	(1,169)
Long-term portion	$ 5,057	$ 5,642

14. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value

Transactions:

On February 23, 2010 the Company closed a private placement to issue 370,000 units of the Company at $0.10 per unit for gross proceeds of $37,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share of the Company at $0.14 until February 23, 2012.

On May 21, 2010 the Company closed a private placement to issue 1,165,000 units of the Company at $0.10 per unit for gross proceeds of $116,500. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire an additional common share of the Company at $0.14 until May 21, 2011. A finder's fee of 63,000 common shares was issued.

On June 28, 2010, the Company closed a private placement and issued 2,500,000 units at $0.10 per unit for gross proceeds of $250,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share at $0.14 for a period of one year from closing. Finder's fees of 81,500 common shares were issued valued $8,150 and $9,100 was paid in cash.

On October 4, 2010, the Company closed a flow-through private placement of 2,050,000 units at a price of $0.10 per unit, for gross proceeds of $205,000. Each unit consists of one common share and one half share purchase warrant. One full warrant entitles the holder to purchase an additional common share of the Company at an exercise price of $0.15 per share for a period of two years. The Company paid a finder's fee of $19,761.

On October 4, 2010, the Company closed a private placement and issued 5,533,000 units at $0.10 per unit for gross proceeds of $553,300. Each unit consisted of one common share and one share purchase

14. SHARE CAPITAL (continued)

warrant entitling the holder to acquire one additional common share at $0.15 for a period of two year from closing.

On March 29, 2011, the Company issued 268,000 common shares valued at $67,200 for consulting services.

On March 29, 2011, the Company completed a private placement and issued 13,525,997 units at $0.15 per unit, for a total value of $2,028,900. Each unit consisted of one common share and one common share warrant. Each warrant can be exercised to purchase a common share at $0.20 for a period of 2 years. In the placement, 12,475,997 units ($1,871,400) were issued for cash, and 1,050,000 units (157,500) were issued to settle a promissory note and finance fee to lenders. A finder's fee of 105,924 common shares was issued valued at $15,889, $117,319 was paid in cash, and 453,833 broker warrants were issued (valued at $47,971) entitling the holder to acquire one common share at $0.20 per share for two years. As at May 31, 2011, there are share subscriptions receivable of $15,000. As at November 30, 2011, the Company received the funds.

On May 31, 2011, the Company issued 39,750,000 shares with a $6,757,500 total fair value towards the acquisition of Amazonia (see Note 6).

During the year ended May 31, 2011, the Company issued 1,933,000 common shares in connection with the exercise of purchase warrants at a price of $0.14 and $0.15 per share for total proceeds of $272,260. As at May 31, 2011, there are share subscriptions receivable of $21,000 that was received subsequent to year-end. As of November 30, 2011, the Company received the funds.

During the period ended November 30, 2011, the Company received $332,500 for the share subscription advance.

Escrowed Shares

As at November 30, 2011, 247,500 (May 31, 2011 – 495,000) shares were held in escrow. Under the escrow agreement, 10% of the shares were released (165,000) on the issuance of the Final Exchange Bulletin, March 24, 2009, and an additional 15% (247,500) are released every six months thereafter for a period of thirty-six months.

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to Directors, senior Officers, employees, management company employees, and consultants to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted with an exercise term of up to 10 years. Vesting is determined by the Board of Directors.

As at November 30, 2011, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

(Unaudited – Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)

Stock options (continued)

	Grant date	Number of Shares	Exercise Price	Expiry Date
	May 31, 2009	780,000	$0.20	March 31, 2014
	September 11, 2009	50,000	$0.20	September 11, 2014
	July 9, 2010	480,000	$0.10	July 09, 2015
Balance, November 30, 2010		1,310,000		
	March 29, 2011	1,450,000	$0.17	March 29, 2016
Balance, May 31, 2011		2,760,000		
	June 9, 2011	100,000	$0.15	June 9, 2016
	June 9, 2011	50,000	$0.08	June 9, 2016
	June 9, 2011	3,800,000	$0.18	June 9, 2012
		(3,800,000)	$0.18	August 18, 2011
	August 18, 2011	3,000,000	$0.08	August 18, 2012
	August 18, 2011	50,000	$0.10	August 18, 2012
Balance, November 30, 2011		5,960,000		

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
As at November 30, 2010	1,310,000	$	0.16
Options exercised	-		-
Options granted	8,450,000	$	0.14
Options expired/cancelled	(3,800,000)	$	0.18
As at November 30, 2011	5,960,000	$	0.12

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires Management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

During the year ended May 31, 2011, the Company granted options of 1,655,000 (2010 – Nil) to Directors, Officers, and employees of the Company, and 275,000 (2010 – 50,000) to a consultant. Using the Black-Scholes option pricing model, the Company recorded share-based payments of $238,562 (May 31, 2010 - $8,596).

During the six months ended November 30, 2011, the Company granted options of 3,200,000 (2010 – 1,310,000) to consultants of the Company. Using the Black-Scholes option pricing model, the Company recorded share-based payments of $157,379 (2010 - $27,155)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the three month period:

(Unaudited – Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)

	November 30, 2011	May 31, 2011	November 30, 2010
Risk-free interest rate	2.97%	0.9%	2.3%
Expected life of options	5.0 years	1.0 years	5.0 years
Expected stock price volatility	137%	100%	101%
Expected dividend rate	0.00%	0.00%	0.00%

As at November 30, 2011, the Company had agent's warrant outstanding enabling the holder to acquire common shares as follows:

	Grant date	Number of Shares	Exercise Price	Expiry Date
	March 29, 2011	453,833	$0.20	March 29, 2013
Balance, November 30,2011		453,833		

	November 30, 2011	August 31, 2010
Risk-free interest rate	1.36%	-
Expected life of options	2.0 years	-
Expected stock price volatility	137%	-
Expected dividend rate	0.00%	-

As of November 30, 2011, the Company had agent's warrants of 453,833 exercisable.

Warrants

As at November 30, 2011, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price	Outstanding May 31, 2011	Issued	Exercised	Expired	Outstanding November 30, 2011
March 25, 2011	$0.30	750,000	-	-	(750,000)	-
February 23, 2012	$0.14	370,000	-	(220,000)	-	150,000
May 21, 2011	$0.14	1,165,000	-	(1,050,000)	(115,000)	-
June 28, 2012	$0.14	-	2,500,000	(400,000)	-	2,100,000
October 4, 2012	$0.15	-	6,558,000	(200,000)	-	6,358,000
March 29, 2013	$0.20	-	13,525,997	-	-	13,525,997
		2,285,000	22,583,997	(1,870,000)	(865,000)	22,133,997

(Unaudited – Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments
The Company's financial instruments include: cash and equivalents, accounts receivable, accounts payable, current and long-term debt all are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

The Company's financial instruments are classified into the following categories:

	Category	Measurement	November 30, 2011	May 31, 2011	June 1, 2010
Cash and equivalents	Held for trading (i)	Level 1	12,943	102,689	8,362
Amounts receivable	Loans and receivables (ii)	Amortized cost	14,625	55,967	31,250
Accounts payable	Loans and receivables (ii)	Amortized cost	210,476	148,311	-
Promissory note payable	Loans and receivables (ii)	Level 1	400,350	327,540	-
Due to related parties	Loans and receivables (ii)	Level 1	-	-	20,973

Financial risk factors (continued)

The Company's activities expose it to a variety of financial risks. The impact of these risks are summarized below.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's concentration of credit risk is primarily attributable to cash and advances made to Amazonia. The Company places its cash with high credit quality financial institutions and monitor Amazonia to minimize credit risk.

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 of November 30, 2011 the Company had cash balance of $12,943 (May 31, 2011 - $102,689) to settle current liabilities of $612,580 (May 31, 2011 - $477,020). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company manages its capital (see Note 14) to meet its financial obligations.

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, which are described below.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term investments issued by its banking institutions. The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by major Canadian financial institutions.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars ("US$"), however US$ balances are insignificant as at November 30, 2011 and in management's opinion the Company's foreign currency risk is immaterial.

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 of mineral resources, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

Risk management is the responsibility of the corporate finance function. Material risks are identified and monitored and are discussed by senior management and with the audit committee of the Board of Directors.

16. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral property interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's Management to sustain future development of the business. The Company considers capital to consist of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

17. COMMITMENT

On January 1, 2011, the Company entered into a Contract for Services agreement with Andre Klumb (the "Geologist") for managing the Company's exploration operations effective on February 1, 2011 for a five year period. The Company agreed to pay $10,000 per month for the services provided. The agreement can be terminated upon written notice.

18. SUBSEQUENT EVENTS

On December 14, 2011, the Company announced to arrange a private placement of $1,000,000Cdn, subject to regulatory approval. The offering consists of 20,000,000 units at $0.05 per unit. Each consists of one common share and one purchase warrant. Each purchase warrant entitles the holder to purchase one additional share of the Company at a price of $0.05 for a period of 48 months from closing of the offering. These funds will be used to explore and develop to be acquired mineral claims in Brazil, the further development of the Waverley-Tangier and LD properties in B.C. AND corporate use. As of November 30, 2011, the Company received advanced share subscription funds of $332,500 and additional $267,500 subsequent of the period ended November 30, 2011. There will be a finder's fee of 7% payable in stock or cash in connection with some or all of this private placement. The private placements announced July 5 and September 15, 2011 have been canceled.