ARMADILLO RESOURCES LTD.

(AN EXPLORATION STAGE COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

THREE AND SIX MONTHS ENDED FEBRUARY 28, 2013

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

		February 28, 2013		May 31, 2012
Assets				
Current				
Cash and cash equivalents	$	526	$	1,937
Amounts receivable		15,666		6,924
Prepaid expenses		66,494		7,690
		82,686		16,551
Restricted investment (Note 5)		-		23,000
Security deposit		1,000		1,000
Deferred acquisition cost (Note 6)		10,000		-
Mineral properties and exploration costs (Note 6)		11,636,230		11,460,515
Equipment (Note 7)		67,459		77,543
	$	11,797,375	$	11,578,609
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 4)	$	1,771,405	$	1,654,678
Due to related party (Note 11)		306,872		101,018
Promissory note payable (Note 8)		469,875		428,160
Current portion of capital lease obligation (Note 9)		3,215		2,338
		2,551,367		2,186,194
Capital lease obligation (Note 9)		3,596		4,473
		2,554,963		2,190,667
Shareholders' Equity				
Share capital		12,165,621		11,302,621
Share subscription receivable		12,000		-
Share subscription received		-		765,000
Share compensation reserves		785,321		785,321
Non-controlling Interest		92,374		92,374
Deficit		(3,812,904)		(3,557,374)
		9,242,412		9,387,942
	$	11,797,375	$	11,578,609

Nature of operations and going concern (Note 1)
Commitment (Note 13)
Subsequent Events (Note 14)

Approved on behalf of the Board on April 29, 2013:

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

The accompanying notes form an integral part of these interim consolidated financial statements.

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

	Three Months Ended February 28, 2013	Three Months Ended February 29, 2012	Nine Months Ended February 28, 2013	Nine Months Ended February 29, 2012
Expenses				
Accounting and audit	$ 6,000	$ 6,750	$ 33,000	$ 33,000
Consulting fees	28,609	22,150	65,034	76,165
Depreciation expense	1,357	1,698	10,084	5,443
Filing and transfer fees	7,017	4,869	15,744	12,913
Investor relations	260	13,187	870	51,237
Legal	5,866	3,366	42,047	10,236
Management fees (Note 11)	19,500	19,500	58,500	58,500
Office	3,706	7,167	11,647	23,974
Rent	7,806	8,879	27,670	26,310
Stock-based payments	-	-	-	157,379
Travel	-	15,123	1,825	24,794
Wages and benefits	1,114	10,018	16,754	30,665
Loss before other items	(81,235)	(112,707)	(283,175)	(510,616)
Other items				
Impairment of mineral property and exploration costs(Note 6)	(1,560)	-	(7,871)	-
Income for foreign exchange	90,861	(124)	35,338	(124)
Income expense (income)	358	4	179	224
Net loss and comprehensive loss	$ 8,424	$ (112,827)	$ (255,530)	$ (510,516)
Basic and diluted loss per common share	$ 0.00	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of common shares	94,281,921	76,422,921	90,145,462	76,422,921

The accompanying notes form an integral part of these interim consolidated financial statements.

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

	Common Shares												
	Number of Shares		Amount		Share Compensation Reserve		Share Subscriptions Received		Deficit		Non-controlling Interest		Total
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	-		-		-		765,000		-		-		765,000
Share-based payments	-		-		157,379		-		-		-		157,379
Net loss and comprehensive loss	-		-		-		-		(510,516)		-		(510,516)
February 29, 2012	76,422,921	$	11,302,621	$	675,280	$	765,000	$	(2,461,492)	$	-	$	10,281,409
May 31, 2012	76,422,921	$	11,302,621	$	785,321	$	765,000	$	(3,557,374)	$	92,374	$	9,387,942
Shares issued for:													
Private placement, net of share issuance costs	17,740,000		881,050		-		-		-		-		881,050
Share issued receivable	-		-		-		(12,000)		-		-		(12,000)
Share issuance for finder's fee	119,000		5,950		-		-		-		-		5,950
Share subscriptions received	-		-		-		(765,000)		-		-		(765,000)
Net loss and comprehensive loss	-		-		-		-		(255,530)		-		(255,530)
February 28, 2013	94,281,921	$	12,189,621	$	785,321	$	(12,000)	$	(3,812,904)	$	92,374	$	9,242,412

The accompanying notes form an integral part of these interim consolidated financial statements.

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

		Nine Months Ended February 28, 2013		Nine Months Ended February 29, 2012
OPERATING ACTIVITIES				
Net loss for the year	$	(255,530)	$	(510,516)
Adjustment for items not involving cash:				
Depreciation expense		10,084		5,443
Share-based payments		-		157,379
Impairment loss on mineral property and exploration costs		7,871		-
Changes in non-cash working capital				
Decrease (increase) in receivables		(8,742)		46,391
Decrease (increase) in prepaids		(58,804)		19,260
Decrease (increase) in accounts payable and accrued liabilities		158,442		81,511
Due to related party		205,854		10,337
Net cash flows used in operating activities		59,175		(190,195)
INVESTING ACTIVITIES				
Security deposit		23,000		-
Acquisition and exploration of mineral properties		(183,586)		(836,983)
Mining tax credit received		-		130,265
Mineral deposits and advances		(10,000)		-
Net cash flows used in investing activities		(170,586)		(706,718)
FINANCING ACTIVITIES				
Shares issued for cash		875,000		-
Share subscription receivable		-		36,000
Share subscription advanced		(765,000)		765,000
Net cash flows from financing activities		110,000		801,000
(Decrease) increase in cash and cash equivalents		(1,411)		(95,913)
Cash and cash equivalents, beginning of year		1,937		102,689
Cash and cash equivalents, end of year	$	526	$	6,776
Interest paid in cash	$	-	$	-
Income tax paid in cash	$	-	$	-

The accompanying notes form an integral part of these interim consolidated 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 exploration stage and its principal business activity is the exploration of mineral property in North America and South America. The Company has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related 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 $3,812,904 as at February 28, 2013 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 interim consolidated 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 unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and they do not include all of the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

The accounting policies and methods applied by the Company in these unaudited interim consolidated financial statements are the same as those applied by the Company in its most recent audited financial statements as at May 31, 2012. Accordingly, these interim consolidated financial statements should be read in conjunction with the most recently prepared audited financial statements for the financial year ended May 31, 2012.

Basis of presentation

The interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 2.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties and exploration costs, decommissioning, restoration and similar liabilities**,** deferred income tax assets and liabilities and assumptions used in valuing options and warrants in share-based payment calculations. Actual results may differ from these estimates. These interim consolidated financial statements include the accounts of the Company and its 99% owned subsidiary Amazonia Capital E Participacoes Ltd ("Amazonia"). All significant intercompany balances and transactions have been eliminated.

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.

Foreign currencies

The interim consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's presentation and functional 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.

Mineral Properties and Exploration Costs

Mineral properties and exploration costs 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. All costs related to the acquisition, exploration and development of mineral properties and exploration costs are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

Impairment is assessed at the level of the cash-generating units. Management regularly assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if one of the flowing factors are present; the rights to explore have expired or are near expiry with no expectation of renewal, no further substantial expenditures are planned or budgeted, exploration and evaluation work is discontinued in an area for which numerically viable quantities have not yet been discovered, indications that in an area with development likely to proceed the carrying amount is unlikely to be recovered in full by development or sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Properties and Exploration Costs (continued)

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.

Equipment

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 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.

Borrowing costs

Borrowing costs incurred that are attributable to acquiring and developing exploration and development stage mining properties and constructing new facilities (“qualifying assets”) are included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use. All other borrowing costs are expensed in the period in which they are incurred.

Capitalization of borrowing costs incurred commences on the date the following three conditions are met:

- (i) Expenditures for the qualifying assets are being incurred;
- (ii) Borrowing costs are being incurred; and
- (iii) Activities that are necessary to prepare the qualifying asset for its intended use are being undertaken.

Impairment of assets

At the end of each reporting period, the Company assesses all assets grouped by 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made. 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 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 statement of financial position date and the cost is charged to the statement of operations.

The Company has no decommissioning, restoration and similar liabilities as of February 28, 2013 and May 31, 2012.

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 statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded 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 statement of financial position 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.

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 amounts receivable 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, promissory notes and due to related parties are classified as other financial liabilities.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deduction for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference ("the premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of loss as other income when the eligible expenditures are incurred.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share-based Payments

The share option plan allows Company employees and consultants to acquire shares of the Company. All options granted are measured at fair value and are recognized in expenses as share-based payments with a corresponding increase in share compensation reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value of employee options is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option model taking into account the terms and conditions upon which the options were granted. Share options granted to non-employees or consultants are measured at the fair value of goods or services received. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

New Standards, Amendments and Interpretations Issued But Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for future accounting periods and these have not yet been adopted.

<u>Accounting standards effective June 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 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 interim consolidated financial statements.

<u>Accounting standards anticipated to be effective June 1, 2013</u>

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 interim consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accounting standards anticipated to be effective June 1, 2013 (continued)

Consolidation
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. IFRS 10 replaces sic-12 Consolidation – Special Purpose Entities and part of IAS 27 Interim consolidated and Separate Financial Statements. The Company is currently evaluating the impact of IFRS 13 is expected to have on its interim consolidated financial statements.

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. The Company is currently evaluating the impact IFRS 13 is expected to have on its interim consolidated financial statements.

Accounting standards anticipated to be effective June 1, 2015

Financial instruments
IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. The Company is currently evaluating the impact IFRS 9 is expected to have on its interim consolidated financial statements.

3. ACQUISITION OF AMAZONIA

On November 28, 2011, the Company closed its acquisition agreement to acquire 99% of the outstanding shares of Amazonia Capital E Participacoes Ltd. for the Company made cash payments of $2,210,790 and issued 37,500,000 shares as consideration. An additional 2,250,000 shares of the Company were issued as finder's fees. As part of the acquisition, the Company is to issue a promissory note for $1,420,000US to Brazil Gold Corp. As at February 28, 2013, an accrued liability of $1,464,588 (US$1,420,000) (May 31, 2012 - $1,466,434 (US$1,420,000)) was recorded as the promissory note has yet to be issued.

This transaction has been accounted for as an acquisition of assets rather than a business combination because the acquisition does not meet the definition of a business as outlined in the IFRS 3 *Business Combinations*. The operations of Amazonia have been included in these interim consolidated financial statements from the date of acquisition.

The following is a summary of the acquisition cost allocation at the date of purchase based upon the estimated fair values of the assets acquired and liabilities assumed:

(Expressed in Canadian Dollars)

3. ACQUISITION OF AMAZONIA (continued)

Cash payments	$2,210,790
Shares issued as consideration	6,375,000
Shares issued for finders' fees	382,500
Borrowing costs	197,018
Acquisition cost	$9,165,308
Acquisition cost allocation:	
Equipment	$ 59,245
Mineral properties in Brazil	10,665,076
Accrued liabilities	(1,466,434)
Net assets	$9,257,887
Non-controlling interest	(92,579)
	$9,165,308

4. RESTRICTED INVESTMENTS

The Company has pledged $Nil GIC as security held on a corporate credit card as of February 28, 2013 (May 31, 2012 - $23,000).

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES AND EXPLORATION COSTS

	Waverley-Tangier	Wakefield	LD Property	Amazon Basin	Total
2013					
Acquisition costs					
Balance, May 31, 2012	$ -	$ -	$ 500,000	10,665,076	$ 11,165,076
Additions during nine months					
Property acquisition	-	-	-	43,905	43,905
Total acquisition costs	-	-	500,000	10,708,981	11,208,981
Exploration costs					
Balance, May 31, 2012	-	-	-	295,439	295,439
Additions during nine months					
Exploration cost	7,871	-	-	131,810	139,681
Total exploration costs	7,871	-	-	427,249	435,120
Impairment loss write-down	(7,871)	-	-	-	(7,871)
Balance, February 28, 2013	$ -	$ -	$ 500,000	11,136,230	$ 11,636,230

	Waverley-Tangier	Wakefield	LD Property	Amazonia Basin	Total
2012					
Acquisition costs					
Balance, May 31, 2011	$ 326,876	$ 250,150	$ 500,000	-	$ 1,077,026
Additions during nine months					
Property payment	8,458	-	-	9,165,308	9,173,766
Total acquisition costs	335,334	250,150	500,000	9,165,308	10,250,792
Exploration costs					
Balance, May 31, 2011	422,367	(250,150)	-	-	172,217
Additions during nine months					
Exploration costs	187,764	-	-	-	187,764
Mining tax credit received	(130,265)	-	-		(130,265)
Total exploration costs	478,135	(250,150)	-	-	227,985
Impairment loss write-down	-	-	-	-	-
Balance, February 29, 2012	$ 815,200	$ -	$ 500,000	9,165,308	$ 10,480,508

(Expressed in Canadian Dollars)

5. MINERAL PROPERTIES AND EXPLORATION COSTS (continued)

Amazon Basin Property - Brazil

The Amazon Basin property, a gold project located in Brazil was acquired in November 2011 (see Note 4). This property is located south of the city of Manaus and encompasses mineral claims in the states of Amazonas, Mato Grosso and Rondonia.

If at any time the Company acquires mining permits in respect to the Amazon Basin Property 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.

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(iii)	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.

(iii) During 2012, the Company has not made the $100,000 cash payment, issuded 150,000 shares, or incurring $1,000,000 exploration expenditure.

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.

5. MINERAL PROPERTIES AND EXPLORATION COSTS (continued)

Waverley-Tangier Property – British Columbia (continued)

The restated option and royalty agreement is not in good standing as no significant option payments or exploration costs have been incurred in fiscal 2012 as required by the agreement. As a result, the carrying value was written down to nil in 2012.

On March 25, 2013, the Company entered into a settlement agreement with Silver Phoenix Resources Inc. to terminate options agreements for acquisition of 60% interest in Waverley-Tangier Property in the Revelstoke Mining Division of British Columbia effectively on February 28, 2013. The Company reached this decision after again reviewing the difficulty in maintaining access to the property due to extreme weather conditions and the difficulty in raising funding for its exploration and agreed to pay $7,000 by earlier of not later than 10 days following the date of the return for the security bond relating to the past exploration permit issued and or by May 31, 2013.

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%.

Flagstaff Mine in Baker City, Oregan (the "Property")

On November 29, 2012, the Company entered into a Letter of Intent to be extended to an exploration agreement with Dimari Enterprises LLC of Pasco, Washington for the acquisition of the Flagstaff Gold Mine located east of Baker City, Baker County, Oregon. The Company agreed to pay US$10,000 upon signing the LOI and US$15,000 on signing of the Exploration Agreement. The Company is to complete an initial program of sampling, trenching, and drilling including an upgrade to the existing tunnels to gain access and verify the existing orebody. After verification, Armadillo will pay: US$50,000 and issue Dimari 500,000 common shares of the Company. A further payment of, US $50,000 per anniversary date or a 25% royalty from production, whichever is the greatest to a maximum total payable of US$5,000,000 will also be required. As of February 28, 2013, upon signing of the LOI, US$10,000 was owing, this was subsequently paid.

(Also see note 14)

(Expressed in Canadian Dollars)

6. EQUIPMENT

Cost		Truck		Computer and equipment		Total
As at May 31, 2011	$	21,945	$	15,401	$	37,346
Additions		-		-		-
As at February 28, 2012		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	2,650	2,793	5,443
As at February 28, 2012	6,015	4,800	10,815

Cost	Truck	Computer and equipment	Total
As at May 31, 2012	81,190	15,401	96,591
Additions	-	-	-
As at February 28, 2013	81,190	15,401	96,591

Accumulated Depreciation	Truck	Computer and equipment	Total
As at May 31, 2012	13,023	6,025	19,048
Depreciation	8,081	2,004	10,085
As at February 28, 2013	21,104	8,029	29,132

Net book value:	Truck	Computer and equipment	Total
As at February 29, 2012	15,930	10,601	26,531
As at February 28, 2013	60,086	7,373	67,459

7. PROMISSORY NOTE

A promissory note of $309,000 is outstanding as at February 28, 2013 (May 31, 2012 - $309,000) which is payable with accrued interest of $160,875 (May 31, 2012 - $74,160) and a financing fee of $nil (May 31, 2012 – $45,000); for a total of $469,875. 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. During the period ended February 28, 2013, the Company incurred $41,715 (2012 - $55,620) in total finance fees on promissory notes which were recorded in capitalized as borrowing costs.

(Expressed in Canadian Dollars)

8. 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.

	February 28, 2013	May 31, 2012
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	(3,215)	(2,338)
Long-term portion	$ 3,596	$ 4,473

9. SHARE CAPITAL

Authorized:

Unlimited number of common shares without par value

On August 7, 2012, the Company closed a private placement and issued 17,740,000 units at $0.05 per unit for gross proceeds of $887,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire additional common share at $0.10 for a period of one year from closing. A finder's fee of 119,000 common shares was issued with fair valued of $5,950 in connection with this private placement. As of February 28, 2013 and the filing date of this interim consolidated financial statements, there is $12,000 share issuance receivable outstanding.

Escrowed Shares

As at February 28, 2013, 82,500 (May 31, 2012 – 247,000) 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 nine months thereafter for a period of thirty-nine 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 February 28, 2013, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Expiry Date	Exercise Price	Outstanding February 28, 2013	Outstanding April 29, 2013
March 31, 2014	$0.20	470,000	470,000
September 11, 2014	$0.20	50,000	50,000
July 9, 2015	$0.10	390,00	390,000
March 29, 2016	$0.17	1,050,000	1,050,000
June 9, 2016	$0.15	100,000	100,000
June 9, 2016	$0.13	50,000	50,000
		2,110,000	2,110,000

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Stock options (continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at May 31, 2012	2,960,000	$ 0.17
Options expired	(850,000)	$ 0.10
As at February 28, 2013	2,110,000	$ 0.17

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 period ended February 28, 2013, the Company granted options of nil (2012 – 7,000,000) to consultants, officers and employees of the Company. Using the Black-Scholes option pricing model, the Company recorded share-based payments of $nil (2012 - $267,420).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the fiscal year periods:

	February 28, 2013	May 31, 2012
Risk-free interest rate	-	1.08%
Expected life of options	-	1.0 years
Expected stock price volatility	-	101%
Expected dividend rate	-	0.00%
Share price	$ -	$ 0.11

As at February 28, 2013, 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, February 28, 2013		453,833		

	May 31, 2011
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 February 28, 2013, the Company had agent's warrants of 453,833 (May 31, 2012 – 453,833) exercisable. As of filing of this financial statements, the Company had nil agent's warrants outstanding.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

Warrants

As at February 28, 2013, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price	Outstanding May 31, 2012	Issued (Expired)	Outstanding February 28, 2013	April 29, 2013
June 28, 2012	$0.14	2,100,000	(2,100,000)	-	-
October 24, 2012	$0.15	6,358,000	(6,358,000)	-	-
March 29, 2013	$0.20	13,525,997	-	13,525,997	-
August 7, 2013	$0.10	17,740,000	-	17,740,000	17,740,000
Balance		**39,723,997**	**8,458,000**	**31,265,997**	**17,740,000**

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company has identified its Directors and certain officers as its key management personnel. The compensation costs for key management personnel for nine months ended February 28, 2013 and 2012 as follows:

		February 28, 2013		**February 29, 2012**
Management and consulting fees	$	86,485	$	84,965

During the nine months ended February 28, 2013, the Company incurred $58,500 and $27,985 (2012 - $58,500 and $26,465) in management and consulting fees for Officers of the Company and a company owned by an Officer of the Company.

As of February 28, 2013, the amount due to related parties consists of $158,362 (May 31, 2012 - $46,018) owing to Officers and Directors and companies controlled by Officers and a Director. All amounts are due on demand, non-interest bearing and are unsecured.

A management consulting agreement was entered on May 27, 2011, whereby in exchange for management services, the Company agreed to pay $10,000 per month for a period of two years ending on February 28, 2013. The agreement can be terminated upon written notice.

The Company accrued management fees of $90,000 (2012 - $120,000) to shareholder with significant influence, in which $90,000 (2012 - $60,000) was capitalized as mineral property. As at February 28, 2013, the amount due to related parties consist of $148,511 (May 31, 2012 - $55,000) owing to this party. All amounts are due on demand, non-interest bearing and are unsecured.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 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 measured at fair value on a recurring basis consist of: cash and equivalents, and restricted investment.

Financial risk factors

The Company's activities are subject to a variety of financial risks as 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. The Company places its cash with high credit quality financial institutions 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 February 28, 2013 the Company had cash of $526 (May 31, 2012 - $1,937) to settle current liabilities of $2.551,367 (May 31, 2012 - $2,186,194). 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 13) to meet its financial obligations, however the Company requires significantly more cash.

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.

Interest rate risk

The Company has cash balances. 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$"). A 5% strengthening (weakening) of US$ will increase (decrease) total liabilities by approximately ($1,836) (2012 - $73,000) Canadian dollars respectively. The Company currently does not use any foreign exchange contract to hedge this currency risk.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

12. 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.

13. COMMITMENTS

The Company has entered into an operating lease agreement for its premises. The annual basic lease commitments under this lease are as follows:

Not later than one year	$33,180
Later than one year and no later than five years	59,447
	$92,627

14. SUBSEQUENT EVENTS

On March 13, 2013, the Company entered into Option Agreement with Dimari Enterprises LLC to complete the acquisition of a 100% registered and beneficial interest in the property of Flagstaff Gold Mine near Baker City, Oregon which was announced on November 30, 2012. The Company intends to complete an initial program of sampling, trenching, and drilling, including an upgrade to the existing tunnels to gain access and verify the existing orebody. After verification, the Company will pay US$50,000 and issue 500,000 common shares of the Company. Upon execution of this agreement, the Company shall pay US$15,000. A further payment of US$50,000 per anniversary date or a 25% royalty from production, whichever is the greatest to a maximum total payable of US$5,000,000 will also be required. (Also see note 6)