ARMADILLO RESOURCES LTD.

(AN EXPLORATION STAGE COMPANY)

FINANCIAL STATEMENTS

NOVEMBER 30, 2010

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited interim financial statements have been prepared by Management and approved by the Audit Committee and the Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

ARMADILLO RESOURCES LTD.
BALANCE SHEETS

		November 30, 2010 (Unaudited)		May 31, 2010
ASSETS				
CURRENT ASSETS				
Cash and equivalents	$	312,958	$	8,362
Prepaid		-		-
Amounts receivable		28,202		31,520
		341,160		39,882
Reclamation bond		7,500		7,500
Restricted investment (Note 3)		23,000		23,000
Loan receivable (Note 4)		857,597		-
Security deposit		1,000		1,000
Deposit		8,415		-
Mineral properties (Note 5)		1,493,346		924,774
Equipment (Note 6)		6,926		7,560
	$	2,738,944	$	1,003,716
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	91,795	$	120,712
Due to related parties (Note 7)		1,782		20,973
Promissory notes payable (Note 8)		477,000		-
Accrued interest (Note 8)		3,000		-
		573,577		141,685
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		2,440,309		1,353,050
Share subscriptions receivable		-		(10,000)
Share subscription advanced (Note 9)		443,400		-
Contributed surplus (Note 9)		258,523		231,368
Deficit		(976,865)		(712,387)
		2,165,367		862,031
	$	2,738,944	$	1,003,716

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved on behalf of the Board:

"Les Kjosness" Director *"David Rennie"* Director

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

ARMADILLO RESOURCES LTD.
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited - Prepared by Management)

	Three Months Ended November 30, 2010	Three Months Ended November 30, 2009	Six Months Ended November 30, 2010	Six Months Ended November 30, 2009
Expenses				
Administration fees	$ 19,500	$ 19,500	$ 39,000	$ 39,000
Consulting fees	9,750	10,500	20,250	21,000
Office	6,903	6,174	13,196	10,208
Accounting and audit fees	1,900	6,750	7,900	12,750
Rent	8,034	4,345	16,068	7,604
Filing and transfer agent fees	16,649	5,608	21,110	7,269
Wages and benefits	7,679	5,520	14,436	10,971
Investor relations	27,218	2,872	27,961	6,159
Travel	635	1,327	1,628	1,797
Legal	2,500	2,140	4,640	3,489
Financial service fees	67,500	-	67,500	-
Stock based compensation	-	7,337	27,155	7,337
Amortization	634	317	634	317
Loss before other items	(168,902)	(72,390)	(261,478)	(127,901)
Other item				
Interest expense (income)	3,000	(81)	3,000	(887)
Net loss and comprehensive loss	(171,902)	(72,309)	(264,478)	(127,014)
Deficit, beginning of period	(804,963)	(498,899)	(712,387)	(444,194)
Deficit, end of period	$ (976,865)	$ (571,208)	$ (976,865)	$ (571,208)
Basic and diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding	16,897,267	8,777,500	14,591,415	8,750,724

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

ARMADILLO RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Unaudited - Prepared by Management)

	Three Months Ended November 30, 2010	Three Months Ended November 30, 2009	Six Months Ended November 30, 2010	Six Months Ended November 30, 2009
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	$ (171,902)	$ (64,972)	$ (264,478)	$ (119,677)
Items not affecting cash:				
Stock based compensation	-	-	27,155	-
Amortization	317	317	634	317
	(171,585)	(64,655)	(236,689)	(119,360)
Changes in non-cash working capital items:				
Increase (decrease) in amounts receivable	(20,322)	(14,869)	3,318	(20,457)
Increase in prepaid	8,416	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	16,845	(73,368)	(45,108)	3,785
Net cash used in operating activities	(166,646))	(152,892)	(278,479)	(136,032)
CASH FLOWS FROM FINANCING ACTIVITY				
Shares issued for cash, net	856,359	-	1,097,259	10,500
Share subscription advanced	443,400	-	443,400	-
Proceed of promissory notes	477,000	-	477,000	-
	1,776,759	-	2,017,659	10,500
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of equipment	-	-	-	(8,511)
Security deposit	-	(24,000)	-	(24,000)
Acquisition and exploration of mineral properties	(461,741)	(279,907)	(568,572)	(373,165)
Loan receivable	(857,597)	-	(857,597)	-
Increase in mineral property advances	-	92,000		92,000
Deposit	-	-	(8,415)	-
Net cash used in investing activities	(1,319,338)	(211,907)	(1,434,584)	(313,676)
Increase (Decrease) in cash and equivalents during the period	290,775	(364,799)	304,596	(439,208)
Cash and equivalents, beginning of period	22,183	380,003	8,362	454,412
Cash and equivalents, end of period	$ 312,958	$ 15,204	$ 312,958	$ 15,204
Cash and equivalents consists of:				
Cash	$ 312,958	$ 5,204	$ 312,958	$ 15,204
SUPPLEMENTAL INFORMATION (also see Note 8):				
Interest paid in cash	$ -	$ -	$ -	$ -
Income taxes paid in cash	-	-	-	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Armadillo Resources Ltd. (the "Company") was incorporated on May 4, 2007 under the laws of British Columbia, Canada and the Company's shares are listed for trading on the TSX-V. The Company is primarily engaged in the acquisition and exploration of mineral properties and is considered to be in the exploration stage.

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 $976,865 at November 30, 2010 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

Basis of presentation

These interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"). All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the Company's audited financial statements and the accompanying notes for the year ended May 31, 2010. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented. Amounts, unless specifically indicated otherwise, are presented in Canadian dollars.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant estimates include the carrying value of mineral properties, deferred exploration costs, stock-based compensation and future income taxes. Actual results could differ from the estimates.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured and reported on the balance sheet at fair value except, for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured and reported at amortized cost. Subsequent measurements and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes are recognized in net income (loss) in the year in which the change occurs. Available-for-sale financial assets are measured at fair value and changes are recognized in other comprehensive income until the financial instrument is derecognized or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

The Company provides disclosure that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date and how the entity manages those risks (see Note 11).

The Company also discloses financial instruments and non-financial derivatives classified from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The Company has elected to expense transaction costs related to financial instruments.

Cash and 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, that is readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

Comprehensive loss

Comprehensive loss reflects net loss and other comprehensive loss for the period. Other comprehensive loss includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective. As the Company does not have items comprising other comprehensive loss, the Company's net loss is the same as the comprehensive loss.

Equipment

Equipment is stated at cost less accumulated amortization. Amortization is calculated using the declining balance method applying the following annual rates:

Computer equipment	30%
Vehicles	20%

Mineral properties

All costs related to the acquisition and exploration of mineral properties is capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

Mineral properties (cont'd…)

The amounts shown for mineral properties and deferred exploration costs do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Foreign currency translation

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under the method, monetary assets and liabilities are translated at the year ended exchange rates while non-monetary assets and liabilities are transferred using historical rates of exchange. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in the statement of operations.

The monetary assets and liabilities of the Company denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those on the transaction date. Exchange gains or losses arising on translation are included in the statement of operations.

Stock-based compensation

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory agent warrants. Under this method, the fair value of the stock options at the date of the grant, as determined using the Black-Scholes option pricing model, is recognized to expense over the vesting period. If the stock options or agent warrants are exercised, the proceeds are credited to share capital and the fair value of the options exercised is reclassified from contributed surplus to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments on its loss per share. Under this method, the dilutive effect on basic loss per share is calculated assuming that all proceeds that could have been obtained through the exercise of stock options, warrants and/or similar instruments would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Loss per share is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized as either income or expense in the year in which the enactment or substantive enactment occurs. In the event that the Company has determined that it is likely the future tax asset will not be fully recovered, a valuation allowance is recorded to reduce the amount of the future tax asset to its estimated recoverable value.

Recent accounting pronouncements

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards ("IFRS")

In 2008 the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be June 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011.

3. RESTRICTED INVESTMENT

The Company has pledged a $23,000 (May 31, 2010 - $23,000) GIC as security held on a corporate credit card.

4. LOAN RECEIVABLE

The Company advanced Amazonia Capital E Participacoes Ltd. ("Amazonia") CAD$857,597 (US$814,333) with the intent of completing the acquisition of Amazonia.

On October 28, 2010 the Company signed an acquisition agreement with Rusheen Handels AG ("RH") to acquire approximately 50% of the issued units of Amazonia.

On November 26, 2010, the Company signed an amendment agreement. Pursuant to the amended agreement is to acquire 99% with the following terms detail below:

The Company agreed on the closing date shall acquire 1,980,000 shares from RH with shares being free from all encumbrances save and except for the royalties and issue 25,000,000 shares of the Company's common stock and cash payments totaling US$3,348,000 (CAD$3,436,000) towards cost as noted below. A finder's fee of 1,500,000 shares will be issued on subject to the approval of the TSX Venture Exchange ("TSX"). Amazonia has previously granted a 2.5% net smelter return regarding precious and semi precious metals and a 2.5% gross over-riding royalty regarding diamonds to which shall remain in full force and effect.

Pre-closing cash payment schedule as follows:

1. Total payments of US$350,000 of which US$310,000 is for property taxes (paid);
2. US$200,000 property taxes and RH expenses (paid, see note 8);

Before closing if possible cash payment schedule subject to receipt of shareholder and TSX acceptance as follows:

3. US$250,000 balance of 2010 property taxes (paid, see note 8);
4. US$10,000 management fees for November 2010 (paid);
5. US$10,000 management fees for December 2010 (paid);
6. US$10,000 management fees for January 2010;
7. US$8,000 expenses for October and November 2010 to be reimbursed on submission of paid receipt;
8. US$100,000 as the first of five equal payments of US$100,000 for 2011 property taxes;
9. US$150,000 exploration expenditures by January 10, 2011

At closing cash payment schedule: $3,100,000 to be used, inter alia as follows:

10. US$1,860,000 first phase recommendations of the N143-101 report
11. US$500,000 estimated property taxes for 2011

The agreement is arm's length and is subject to the acceptance by the TSX and shareholder approval as noted in TSX Regulatory Policy 5.2

5. MINERAL PROPERTIES

	Waverly-Tangier	Wakefield	LD Property	Total
2011				
Acquisition costs				
Balance, May 31, 2010	$ 210,376	$ 250,150	$ 40,000	$ 500,526
Additions during fiscal 2011				
Property payment	-	-	460,000	460,000
Property maintenance	-	-	-	-
Total acquisition costs	210,376	250,150	500,000	960,526

5. MINERAL PROPERTIES (cont'd…)

Exploration costs				
Balance, May 31, 2010	424,248	-	-	424,248
Additions during fiscal 2011				
Exploration cost	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

	Waverly-Tangier	Wakefield	LD Property	Total
2010				
Acquisition costs				
Balance, May 31, 2019	$ 110,000	$ 250,000	$ -	$ 360,000
Additions during fiscal 2010				
Property payment	89,250	-	40,000	129,250
Property maintenance	11,126	150	-	11,276
Total acquisition costs	210,376	250,150	40,000	500,526
Exploration costs				
Balance, May 31, 2009	45,525	-	-	45,525
Additions during fiscal 2010				
Exploration cost	214,428	-	-	214,428
Mining tax credit received	23,360	-	-	23,360
	34,350	-	-	34,350
	30,878	-	-	30,878
	80,661	-	-	80,661
	3,267	-	-	3,267
	(9,221)	-	-	(9,221)
	378,723	-	-	378,723
Total exploration costs	424,248	-	-	424,248
Balance, November 30, 2010	$ 634,624	$ 250,150	$ 40,000	$ 924,774

Waverly-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's Qualifying Transaction), the Company agreed to acquire a 60% interest (the "First Option") in a block of 25 contiguous mineral claims known as Waverly-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:

5. MINERAL PROPERTIES (cont'd…)

Waverly-Tangier Property – British Columbia (cont'd…)

	Cash	Exploration Expenditures	Shares
Within 10 days from March 23, 2009 (completed)	$ 75,000	$ –	175,000
Before March 23, 2010 (i)	75,000	200,000	150,000
Before March 23, 2011	100,000	300,000	150,000
Before March 23, 2012	100,000	1,000,000	150,000
Before March 23, 2013	–	1,500,000	–
	$ 350,000	$ 3,000,000	625,000

(i) During 2010 the Company issued the shares and incurred the exploration expenditures; the Company made the full amount of $75,000 cash payment as at November 31, 2010.

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.

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 the following:

a Cash payment of $500,000 as follows:
1. $40,000 upon signing of agreement (paid);
2. $100,000 on June 24, 2010 (paid);
3. $20,000 on or before July 15, 2010 (paid);
4. $240,000 after the next private placement by the Company and approved by the TSX (paid);
5. $100,000 on or before September 24, 2010(paid);

b. 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%.

c. The optionor will participate in not less than $240,000 in the next flow-through/non-flow-through private placement of which proceeds will be required to purchase the LD Property, payment a(4). Failure to

5. MINERAL PROPERTIES (cont’d…)

LD Property – British Columbia (cont’d…)

complete this private placement will result in the Company not having to make payment a (4) and will acquire 100% of claims as long as all other payments are made.

6. EQUIPMENT

	Cost	Accumulated Amortization	November 30, 2010 Net Book Value	May 31,2010 Net Book Value
Truck	$ 6,500	$ 1,085	$ 5,415	$ 5,849
Computer equipment	2,011	500	1,511	1,711
	$ 8,511	$ 1,585	$ 6,926	$ 7,560

7. RELATED PARTY TRANSACTIONS

During the six month period ended November 30, 2010, the Company was charged $40,250 and $8,000 (November 30, 2009 -$39,000 and $12,000) in management and consulting fees by officers of the Company and a company owned by an officer of the Company.

The amount due to related parties consists of $1,782 (May 31, 2010 - $20,973) owing to officers of the Company for consulting and operating expenses advance.

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:

8. PROMISSORY NOTES

On November 3, 2010, the Company signed a promissory note agreement with Gary Jang (the “Lender”), an individual located in BC in an amount of USD$200,000 bearing 1.5% interest per month or any portion of a month thereafter. The principle of this note shall be repaid in United States funds or in Canadian funds at the option of Lender with a USD/CAD exchange rate of 1.06 without set-off or counterclaim of the Company’s next private placement. The Company agreed to pay to the Lender CAD$30,000 in exchange for providing this bridge financing with an option to convert the financing fee into the Company’s next private placement. As of November, 30, 2010, the Lender paid $212,000 (US$200,000) to “RH” directly on behalf of the Company for the cost of property acquisition (See note 7, Loan Receivable) and accrued an interest of $3,000 and $30,000 of financing fee upon the agreement.

On November 27, 2010, the Company signed a promissory note agreement with Gordon Jang (the “Lender”), an individual located in BC in an amount of USD$250,000 bearing 1.5% interest per month or any portion of a month thereafter. The principle of this note shall be repaid in United States funds or in Canadian funds at the option of Lender with a USD/CAD exchange rate of 1.06 without set-off or counterclaim of the Company’s next private placement. The Company agreed to pay to the Lender CAD$37,500 in exchange for providing this bridge financing with an option to convert the financing fee into the Company’s next private placement. As of November, 30, 2010, the lender paid $265,000 (US$250,000) to “RH” directly on behalf of the Company for the cost of property acquisition (See note 7, Loan Receivable) and accrued payable $30,000 of financing fee upon the agreement.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus

Authorized:
Unlimited number of common shares without par value

Issued and outstanding:

As at May 31, 2009	8,707,500	$	1,169,599	$	227,974
Private placements	1,535,000		153,500		-
Agent warrants exercised	70,000		10,500		-
Contributed surplus transferred on exercise of agent warrants	-		5,201		(5,201)
Stock-based compensation	-		-		8,595
Mineral property option payments (Note 5)	150,000		14,250		-
Issued as finders fee	63,000		6,300		-
Share issuance costs	-		(6,300)		-
As at May 31, 2010	10,525,500	$	1,353,050	$	231,368
Private placements	10,083,000		1,008,300		-
Warrants exercised	763,000		107,820		-
Issued as finder's fee	81,500		8,150		-
Share issuance costs	-		(37,011)		-
Stock-based compensation	-		-		27,155
As at November 30, 2010	21,453,000	$	2,440,309	$	258,523

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 6, 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 $255,000Cdn. 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 24, 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 warrant entitling the holder to acquire one additional common share at $0.15 for a period of two year from closing.

On October 30, 2010, the Company issued 763,000 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 $107,820.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

On October 29, 2010, the Company announced to arrange a private placement of $3,500,000Cdn, subject to regulatory approval. The offering consists of 11,666,666 units at $0.30 per unit. Each consists of one common share and one purchase warrant. Each purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $0.50 per share for a period of one year. 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, 2010, the Company received advanced share subscription funds of $401,400. There will be a finder's fee of 7% payable in stock or cash.

Funds from these placements and exercise of warrants will be used to continue the exploration of the Company's properties located in British Columbia and for general corporate and administrative purposes.

Escrowed Shares

As at November 30, 2010, 740,500 (May 31, 2010 - 990,000) 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) will be 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, 2010, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
780,000	$0.20	March 31, 2014
50,000	$0.20	September 11, 2014
480,000	$0.10	July 09, 2015
1,310,000		

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
As at May 31, 2010	830,000	$	0.20
Options exercised	-		-
Options granted	480,000	$	0.10
Options expired/cancelled	-		-
As at November 30, 2010	1,310,000	$	0.16
Number of options currently exercisable	1,310,000	$	0.16

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Stock options (cont'd…)

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 November 30, 2010, the Company granted options of 480,000 (November 30, 2009 – 50,000 to consultants) to Directors and Officers. Using the Black-Scholes option pricing model. The Company recorded stock-based compensation of $27,155 (November 30, 2009 - $7,337).

	November 30, 2010	May 31, 2010
Risk-free interest rate	2.54%	2.3%
Expected life of options	5.0 years	5.0 years
Expected stock price volatility	122.00%	101.00%
Expected dividend rate	0.00%	0.00%

Warrants

As at November 30, 2010, the Company had share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price	Outstanding May 31, 2010	Issued	Exercised	Expired	Outstanding November 30 2010
March 25,	$ 0.30	750,000				750,000
February 23,	$0.14	370,000		(100,000)		270,000
May 21, 2011	$0.14	1,165,000		(463,000)		702,000
June 28, 2010	$0.14		2,500,000	(100,000)		2,400,000
October 4, 2012	$0.15		1,025,000	(100,000)		925,000
October 24, 2012	$0.15		5,533,000			5,533,000
		2,285,000	9,058,000	(763,000)		10,580,000

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at May 31, 2010	2,285,000	$ 0.19
Warrants issued	9,058,000	0.15
Warrants exercised	(763,000)	0.15
As at November 30, 2010	10,580,000	$ 0.16
Number of warrants currently exercisable	10,580,000	$ 0.16

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Warrants (cont'd…)

As of November 30, 2010, the Company received warrants exercise advance of $42,000 in connection with the exercise of 300,000 purchase warrants at a price of $0.14 per share. The advance of $42,000 has been recorded as share subscription advance.

10. SUPPLEMENTAL CASH FLOW DISCLOSURES

The significant non-cash transactions of the Company consisted of:

a) The accrual of $2,000 (May 31, 2010 - $Nil) of loan receivable in accounts payable.
b) A finder's fee valued at $8,150 was paid by the issuance of 81,500 common shares (May 31, 2010 – $Nil).

11. SEGMENTED INFORMATION

The Company operates the acquisition and exploration of mineral properties in Canada and Brazil.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

As at November 30, 2010, the Company's financial instruments consist of cash, amounts receivable, loan receivable, accounts payable and amounts due to related parties.

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The Company classifies its cash as held-for-trading, amounts receivable and loan receivable as loans and receivables, and its accounts payable and amounts due to related parties as other financial liabilities.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

		November 30, 2010		May 31, 2010
Held for trading (i)	$	335,958	$	31,362
Loans and receivables (ii)	$	885,799	$	31,520
Other financial liabilities (iii)	$	573,577	$	141,685

(i) Cash and equivalents
(ii) Amounts receivable and loan receivable
(iii) Accounts payable and amounts due to related parties

Fair Value

The estimated fair values of cash and accounts payable approximate their respective carrying values due to the immediate or short period to maturity. For fair value estimates the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 *Financial Instruments –Disclosures*:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	- Total

Cash and equivalents	$	312,958	$	-	$	-	$ 312,958

The Company's risk exposures and the impact on the Company's financial instruments 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 equivalents and loan receivable. The Company places its cash and equivalents 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, 2010 the Company had cash and equivalents balance of $312,958 (May 31, 2010-$8,362) to settle current liabilities of $573,577 (May 31, 2010-$141,685). 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.

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 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 fluctuation related to assets and liabilities that are demonstrated in US Dollar (USD).

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.

13. 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.

14. SUBSEQUENT EVENT

On December 16, 2010, the Company signed an engagement letter with Canaccord Genuity Corp. (“Canaccord”) to act as the Company’s sponsor for professional services. As at the filing date, the Company paid a retainer of $15,000.

On January 5, 2010, the Company received share subscription funds of $15,000 for private placement at $0.30 per share.

In January 2011, the Company issued 300,000 shares of the Company’s common stock in connection with the exercise of purchase warrants at a price of $0.14 per share for total proceeds of $42,000.