ARMADILLO RESOURCES LTD.

(AN EXPLORATION STAGE COMPANY)

INTERIUM FINANCIAL STATEMENTS

FEBRUARY 28, 2011

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

		February 28, 2011 (Unaudited)		May 31, 2010
ASSETS				
CURRENT ASSETS				
Cash and equivalents	$	284,077	$	8,362
Prepaid		111,817		-
Amounts receivable		27,563		31,520
		423,457		39,882
Reclamation bond		7,500		7,500
Restricted investment (Note 3)		23,000		23,000
Loan receivable (Note 4)		1,254,768		-
Security deposit		1,000		1,000
Mineral properties (Note 5)		1,497,350		924,774
Equipment (Note 6)		18,848		7,560
	$	3,225,923	$	1,003,716
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	138,482	$	120,712
Due to related parties (Note 7)		-		20,973
Promissory notes payable (Note 8)		786,000		-
Accrued interest (Note 8)		26,100		-
		950,582		141,685
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		2,482,309		1,353,050
Share to be issued for debt (Note 9)		67,200		-
Share subscriptions receivable		(142,500)		(10,000)
Warrants exercise advanced		15,000		-
Share subscription advanced (Note 9)		931,400		-
Contributed surplus (Note 9)		258,523		231,368
Deficit		(1,336,591)		(712,387)
		2,421,171		862,031
	$	3,225,923	$	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 February 28, 2011	Three Months Ended February 28, 2010	Nine Months Ended February 28, 2011	Nine Months Ended February 28, 2010
Expenses				
Administration fees	$ 19,500	$ 19,500	$ 58,500	$ 58,500
Consulting fees	116,300	10,500	136,550	31,500
Office	9,812	4,108	23,008	14,316
Accounting and audit fees	6,000	6,000	13,900	18,750
Rent	8,189	8,080	24,257	15,684
Filing and transfer agent fees	21,755	12,295	42,865	19,564
Wages and benefits	10,363	12,295	27,799	16,486
Investor relations	73,467	687	101,428	6,846
Travel	1,630	1,439	3,258	3,236
Legal	10,500	374	15,140	3,863
Financial service fees	45,000	-	112,500	-
Stock based compensation	-	-	27,155	7,337
Amortization	480	317	1,114	634
Loss before other items	(322,996)	(68,815)	(584,474)	(196,716)
Other item				
Gain on foreign exchange	13,630	-	13,630	-
Interest expense (income)	23,100	-	26,100	(887)
Net loss and comprehensive loss	(359,726)	(68,815)	(624,204)	(195,829)
Deficit, beginning of period	(976,865)	(571,208)	(712,387)	(444,194)
Deficit, end of period	$ (1,336,591)	$ (640,023)	$ (1,336,591)	$ (640,023)
Basic and diluted net loss per common share	$ (0.02)	$ (0.01)	$ (0.04)	$ (0.02)
Weighted average number of shares outstanding	21,604,315	8,777,500	16,914,954	8,759,551

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 February 28, 2011	Three Months Ended February 28, 2010	Nine Months Ended February 28, 2011	Nine Months Ended February 28, 2010
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	$ (359,726)	$ (68,815)	$ (624,204)	$ (195,829)
Items not affecting cash:				
Stock based compensation	-	-	27,155	7,337
Amortization	480	317	1,114	634
	(359,246)	(68,498)	(595,935)	(187,858)
Changes in non-cash working capital items:				
Increase (decrease) in amounts receivable and prepaid	(111,178)	(2,721)	(107,860)	(23,178)
Increase (decrease) in accounts payable and accrued liabilities	68,005	38,545	22,897	42,330
Net cash used in operating activities	(402,419)	(32,674)	(680,898)	(168,706)
CASH FLOWS FROM FINANCING ACTIVITY				
Shares issued for cash, net	42,000	-	1,139,259	10,500
Share subscription advanced	488,000	35,000	931,400	35,000
Share subscription receivable	(142,500)	-	(142,500)	-
Warrants exercise advance	15,000	-	15,000	-
Share issue liability	67,200	-	67,200	-
Proceed of promissory notes	309,000	-	786,000	-
	778,700	35,000	2,796,359	45,500
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchase of equipment	(12,402)	-	(12,402)	(8,511)
Security deposit	-	23,000	-	(1,000)
Acquisition and exploration of mineral properties	(4,004)	(23,497)	(572,576)	(396,662)
Loan receivable	(397,171)	-	(1,254,768)	-
Increase in mineral property advances	-	8,000	-	100,000
Deposit	8,415	-	-	-
Net cash used in investing activities	(405,162)	7,503	(1,839,746)	(306,173)
Increase (Decrease) in cash and equivalents during the period	(28,881)	9,829	275,715	(429,379)
Cash and equivalents, beginning of period	312,958	15,204	8,362	454,412
Cash and equivalents, end of period	$ 284,077	$ 25,033	$ 284,077	$ 25,033
Cash and equivalents consists of:				
Cash	$ 284,077	$ 25,033	$ 284,077	$ 25,033
Guaranteed investment certificates (“GIC”)	23,000	-	23,000	-
	$ 307,077	$ 25,033	$ 307,077	$ 25,033
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 $1,336,591 at February 28, 2011 which has been funded primarily by issuance of shares and proceeds of promissory notes. 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 period 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$1,254,768 (US$1,291,711) 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 belows:

The Company agreed that on the closing date that it 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 Canadian National Stock Exchange ("CNSX"). 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

Letter of Intent Dated February 12, 2011

On February 12, 2011 the Company signed a new letter of intent for the purchase of 100% of the RH Units. The Company agreed to issue 25,000,000 treasury shares of the Company's shares and pay $2,400,000 for property taxes, 2011 exploration programs, and consulting fees and reimbursement of expenses to John Young, plus all funds paid to date by the Company. The payments are in US dollars.

The Company assumes responsibility for 100% of all costs related to the Properties and Amazonia corporate expenses, including without limiting the generality of the foregoing property taxes, ongoing exploration costs including N43101-101 report costs, filing costs, management and consulting fees and expenses paid to John Young and third party. The payment schedules as follows:

The Company shall pay $2,400,000 as follows:

1. $300,000 on February 18, 2011 (Paid)
2. $300,000 on March 4, 2011 (Paid)
3. $1,800,000 on March 31, 2011 wired to Amazonia's account (Outstanding)

The Company will be required to make up to three additional payments of $300,000 if the Company cannot comply with the closing date of March 31, 2011 as follow:

4. LOAN RECEIVABLE (cont'd…)

1. $300,000 on April 4, 2011 (Paid)
2. $300,000 on May 4, 2011; and
3. $300,000 on June 4, 2011; and
4. Balance of $900,000 on or before June 28, 2011, the closing date.
5. There will not be any extension to the June 28, 2011 closing date and a failure to pay any interim payment on the prescribed date shall constitute termination of this LOI.

If the transaction does not close, Amazonia agrees to repay to the Company, all funds advanced by the Company to Rusheen by January 31, 2012 except for consulting fees and expenses paid to John Young.

The Company agrees that Amazonia shall reserve unto itself a 2.5% net smelter returns royalty (the "NSR") regarding precious and base metals produced from the Property and 2.5% gross over-riding royalty (the "GOR") regarding diamonds and all non smelter products produced from the Property (the NSR and GOR collectively referred herein as the "Royalty").

Conditions Precedent to Closing:

1. Receipt of a N143-101 Report prepared by Discovery Consultants Corporate Partnership accepted by the Canadian National Stock Exchange (the "CNSX")
2. Execution of a two year management contract with John Young, with a monthly fee of CDN$10,000, executed by John Young, Amazonia and ARO effective as February 1, 2011
3. Approved by the CNSX and the Company shareholders of this major acquisition and a change of control to RH.
4. Amazonia and Brazil Gold to provide respective audited statements of expenses to date regarding the acquisition and maintenance of the Properties for submission to the Exchange.

This Letter of intent will be replaced by a formal purchase agreement and replace all prior agreements either written or oral between the parties and cannot be amended unless notification in writing.

Amazonia agrees to repay to the Company all funds advance by the Company to RH by January 31, 2012 except for consulting fees and expenses paid to John Young if the transaction does not close.

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

5. MINERAL PROPERTIES

	Waverley-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
Exploration costs				
Balance, May 31, 2010	424,248	-	-	424,248
Additions during fiscal 2011				
Exploration cost	126,458	-	-	126,458
Mining tax credit received	(13,882)	-	-	(13,882)
	112,576	-	-	112,576
Total exploration costs	536,824	-	-	536,824
Balance, February 28, 2011	$ 747,200	$ 250,150	$ 500,000	$ 1,497,350

	Waverley-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, May 31, 2010	$ 634,624	$ 250,150	$ 40,000	$ 924,774

5. MINERAL PROPERTIES (cont'd…)

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:

		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 February 28, 2011.

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

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

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

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

Wakefield Claims – Saskatchewan

Pursuant to a mineral property acquisition agreement dated March 18, 2009, the Company acquired a 100% interest in the Wakefield claims in Saskatchewan.

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);

5. MINERAL PROPERTIES (cont'd…)

LD Property – British Columbia (cont'd…)

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 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

	February 28, 2011	May 31, 2010
Truck	$ 15,616	$ 6,500
Computer equipment	5,297	2,011
Accumulated depreciation	(2,065)	(1,585)
Total property and equipment	$ 18,848	$ 7,560

7. RELATED PARTY TRANSACTIONS

During the nine month period ended February 28, 2011, the Company was charged $68,550 and $8,000 (February 28, 2010 - $12,000 and $39,000) in management and consulting fees by officers of the Company and a company owned by an officer and director of the Companies.

As of February 28, 2011, the amount due to related parties consists of $0 (May 31, 2010 - $20,973) owing to officers of the Company for consulting fees 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 an individual (the "Lender"), 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 February, 28, 2011, 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 $9,540 and $30,000 of financing fee upon the agreement.

On November 27, 2010, the Company signed a promissory note agreement with individual (the "Lender"), 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 February 28, 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 an interest of $11,925 and $37,500 of financing fee upon the agreement.

8. PROMISSORY NOTES (cont'd…)

On February 17, 2011, the Company signed a promissory note agreement with an individual (the "Lender"), located in BC in an amount of USD$300,000 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 1.03 without set-off or counterclaim of the Company's next private placement. The Company agreed to pay to the Lender CAD$45,000 in exchange for providing this bridge financing. As of February, 28, 2011, the lender paid $295,590 (US$300,000) to "RH" directly on behalf of the Company for the cost of property acquisition (See note 7, Loan Receivable) and $4,635 of an interest accrued payable and $45,000 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	1,063,000		149,820		-
Issued as finder's fee	81,500		8,150		-
Share issuance costs	-		(37,011)		-
Stock-based compensation	-		-		27,155
As at February 28, 2011	21,753,000	$	2,482,309	$	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.

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

On October 6, 2010, the Company closed a flow-through private placement of 2,050,000 units at a price of $0.10 per unit, for gross proceeds of $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.

On January 15, 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.

On February 22, 2011, the Company agreed to issue the debt of $67,200 for consulting services provided. On March 29, the Company issued 336,000 shares of the Company's common stocks at a price of $0.25 per share.

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 February 28, 2011, 742,500 (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 February 28, 2011, 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:

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

Stock options (cont'd…)

	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 February 28, 2011	1,310,000	$ 0.16
Number of options currently exercisable	1,310,000	$ 0.16

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, 2011, the Company granted options of 480,000 (February 28, 2008 – 50,000 to consultants) to Directors and Officers. Using the Black-Scholes option pricing model, the Company recorded stock-based compensation of $27,155 (February 28, 2010 - $7,337).

	February 28, 2011	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 February 28, 2011, 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 February 28 2011
March 25, 2011	$ 0.30	750,000			(750,000)	-
February23, 2012	$0.14	370,000		(100,000)		270,000
May 21, 2011	$0.14	1,165,000		(763,000)	-	402,000
June 28, 2011	$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	(1,063,000)	(750,000)	9,530,000

On February 24, 2011, the Company received share subscription funds of $15,000 in connection with the exercise of purchase warrants at a price of $0.15 per share. The advance of $15,000 has been recorded as share subscription advance.

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

Warrants (cont'd…)

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	(1,063,000)	0.15
Warrants expired	(750,000)	0.30
As at February 28, 2011	9,530,000	$ 0.16
Number of warrants currently exercisable	9,530,000	$ 0.16

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.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

As at February 28, 2011, 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:

	February 28, 2011	May 31, 2010
Held for trading (i)	$ 284,077	$ 8,362
Amounts receivable (ii)	$ 27,563	$ 31,520
Prepaid	$ 111,817	$ -
Other financial liabilities (iii)	$ 950,582	$ 141,685

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

Financial Instruments

(i) Cash and equivalents
(ii) Amounts receivable and loan receivable
(iii) Accounts payable and amounts due to related parties, promissory notes payable and accrual interest

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.

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	$ 284,077	$ -	$ -	$ 284,077

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 a 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 February 28, 2011 the Company had cash and equivalents balance of $284,077 (May 31, 2010-$8,362) to settle current liabilities of $950,582 (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.

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

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. COMMITMENT

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

15. SUBSEQUENT EVENT

On March 11, 2011, the Company signed a Consulting Agreement with Pinto Ventures Inc. Consultant (“Pinto”) to provide the Company with general consulting including, but no limited to, due diligence of properties, principals and financing associated with the potential acquisition of mining properties for 1 (one) year period commencing March 15th, 2011. The Company agrees to grant 5 (five) million stock options at an exercise of $0.18 cents per share of the Company’s common stock over a 1 (one) year period. On March 17, 2011, the Company granted the stock options to Pinto.

On March 11, 2011, the Company issued 100,000 shares of the Company’s commons stocks in connection with the exercise of purchase warrants at a price of $0.15 per share for total proceeds of $15,000.

On March 17, 2011, the Company entered into a service agreement with midland Chartered Accountants (“midland”) to provide consulting services of IFRS conversion. The Company agreed to pay $3,500 and 100,000 stock options. As of the filing date this report, the Company paid a retainer of $2,000 and granted 100,000 stock options at an exercise price of $0.15 per share and expired for 5 years.

On March 17, 2011, the Company granted a total of 100,000 and 5,000,000 stock options at the exercise price of 0.15 and 0.18, respectively to consulting companies and a total of 1,500,000 stock options to management, employees and constants of the Company under the Company’s option plan. The Options will be fully vested for one (1) and five (5) years from the date of grant and will be expired on March 17, 2012 and March 17, 2016, respectively.

On March 17, the Company agreed to issue the debt of $67,200 for consulting services provided. On March 29, the Company issued 268,000 shares of the Company’s common stocks at a price of $0.25 per share and 800 shares are outstanding to be issued.

On March 29, 2011, the Company completed a private placement announced February 16, 2011, consisting of 13,525,997 units at $0.15 per unit, for a total value of $2,028,900. Each unit consisted of one common share and one common share warrant. Each warrant can be exercised to purchase one additional common share at $0.20 for a period of 1(one) year. Of this amount, 12,475,997 units ($1,871,400) were issued for cash, and 1,050,000 units (157,500) were issued in satisfaction of outstanding payable of promissory note and financial expense to lenders of promissory note of the Company. A finder’s fee of 7% cash or shares is applicable to some or all of this private placement. A commission on a portion of the proceeds raised was paid in the amount of $68,075 in cash and 453,833 of broker warrants at $0.20 for a period of 1(one) year to brokers and $49,245 in cash and 105,924 in kind to individuals. The net cash proceeds will be used to begin the exploration of our Brazilian projects, further develop the Waverly-Tangier, gold/silver/lead/zinc project in British Columbia and for general working capital.

On April 14, 2011 the Company paid back the promissory note of $265,000 plus accrual interests of $19,088 and issued 250,000 shares of the Company’s common stock valued at $37,500 for the conversion of financing fee included in the private placement in March 2011 pursuant to the agreement dated November 27, 2010.

On April 6, 2011 the Company paid back the balance of promissory note of $135,125 plus an accrual interest of $15,900 and issued 800,000 shares of the Company’s common stock valued at $0.15 or $120,000 in satisfaction of the promissory note pursuant to the agreement dated November 3, 2010, a part of private placement completed on March 29, 2011.