ARMADILLO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2011

GENERAL

This Management Discussion and Analysis (the "MD&A") provides relevant information on the operations and financial condition of Armadillo Resources Ltd (the "Company") for the period ended February 28, 2011. This MD&A has been prepared as of April 29, 2011.

The MD&A should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended May 31, 2010 herein that unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles, all of which can be found on SEDAR at www.sedar.com.

All monetary amounts in this MD&A and in the financial statements are expressed in Canadian dollars, unless otherwise stated. All of the financial information referenced below has been prepared in accordance with generally accepted accounting principles applied on a consistent basis.

The Company is a reporting issuer in each of the Provinces of British Columbia and Alberta. Its head and principal office is located at 411 - 470 Granville Street Vancouver, British Columbia, V6C 1V5.

On February 8, 2011, the Company officially began trading on the Canadian National Stock Exchange ("CNSX"). The trading symbol remains the same (CNSX: ARO).

On March 29, 2011, the Company submitted an application to the Toronto Stock Exchange Venture Exchange ("TSX") to have its shares delisted on that exchange due to a failure to secure TSX.V acceptance of the RTO and is therefore seeking a voluntary delisting of its shares from the TSX.V in order to proceed with the Acquisition on the CNSX on which it was listed February 8, 2011.

OVERALL PERFORMANCE

In order to better understand the Company's financial results, it is important to gain an appreciation for the significant events, transactions and activities on mineral properties which have occurred to the date of this MD&A.

Waverley–Tangier Property

The Company holds an option to earn a 60% interest in the Waverley-Tangier Property, located in east-central British Columbia. The following description is taken from a Technical Report by J. Turner, P. Geo. (2009). The Technical Report has been filed on SEDAR and may be viewed on our website, www.armadilloresources.com. The property is considered to be prospective for carbonate-hosted silver-gold-lead-zinc deposits.

Property Description

The Waverley-Tangier Property is situated at the head of the North Fork of Downie Creek, about 1 ½ miles below the summit flats separating that creek from the North Fork of the Illecillewaet River. The coordinates of the claims are 51^{o} 27' 04" N latitude and 117^{o} 58' 05" W longitude and are located on NTS Map Sheet 82 N/5W BC.

The property forms a continuous block of 25 un-patented claims totaling 4446.196 hectares and is located in the Revelstoke Mining Division of central British Columbia. Access to the property is via paved and dirt road from the nearest town, which is Revelstoke.

The lower portions of the property are covered with a dense forest of fir, spruce, cedar, pine, and alder. The underbrush is mostly willow, alder and devil's club. Very few outcrops occur in the area, which is covered by thick layers (up to 200 m) of drift and glacial till. Thin overburden occurs on the higher elevations and above tree line of the claims.

The topography in the area of the Waverley Workings is fairly steep, consisting of ridges trending roughly northwest, generally parallel to the drainage pattern. Relief is of the order of 1500 m vertically with the highest mountains approaching 2500 m. Steep faced cirques, knife-edge ridges, and cliffs over 90 m are common above 2000 m. The Tangier Workings are at a lower elevation, below treeline near the saddle of two valleys.

The area is within the Interior Wet Belt where precipitation exceeds an average of 40 inches per year. Winters, in the area are usually severe and bring several feet of snow-pack. The highest average temperatures occur in July at 23^{o} C and average lowest temperatures occur in January at –30^{o} C (night).

The field season lasts from early June to the latter part of October.

History

Earliest exploration on the claims commenced in the latter portion of the 19th century. Limited production and underground exploration took place during this period and continued sporadically through until 1921. Very minor exploration work was carried out from then until 1987, when Mandella Resources carried out line-cutting and geological mapping.

Land Tenure

The Company acquired an option to earn a 60% interest in the Waverley-Tangier property from Silver Phoenix Resources Inc. The Agreement was submitted to the TSX Venture Exchange ("Exchange") as the Company's Qualifying Transaction. The Exchange accepted the transaction for filing, i.e. approved the closing of the transaction – effective March 24, 2009.

The Option Agreement and its terms are as follows:

To maintain, satisfy and exercise the First Option the Company must:

1. (a) within 10 days after the Effective Date pay $75,000 and issue 175,000 Shares to the Optionor (paid and issued);
   (b) within one year after the Effective Date pay $75,000 and issue 150,000 Shares to the Optionor;(paid and issued)
   (c) within two years after the Effective Date pay $100,000 and issue 150,000 Shares to the Optionor; (outstanding)
   (d) within three years after the Effective Date pay $100,000 and issue 150,000 Shares to the Optionor;

   being a total of $350,000 and 625,000 Shares.

2. incur $3,000,000 of Expenditures on the Property in the following amounts on or before the following dates:
   (a) $200,000 within one year of the Effective Date (completed);

   (b) an aggregate total of $500,000 within two years of the Effective Date;

   (c) an aggregate total of $1,500,000 within three years of the Effective Date; and

   (d) an aggregate total of $3,000,000 within four years of the Effective Date.

3. pay 100% of all of the costs required to have a feasibility study done with respect to the Property and have the Feasibility Report prepared and delivered to the Joint Venture not later than December 31, 2015. With respect to this obligation:

   (a) the work which the Optionor must fund 100% shall include all of the work on or in relation to the Property, and all of the related costs and expenses whatsoever that will be necessary to have a feasibility study with respect to commercial production of ore from the Property performed by independent qualified geological and mining experts;

   (b) the Feasibility Report will have to be based on the feasibility study done and will have to satisfy the requirements and definition of "feasibility study" contained in Canadian Securities National Instrument 43-101.

The Company, if it satisfies all of the foregoing provisions, will have exercised the First Option and earned a 60% interest in the Property. At that point the Company and Silver Phoenix will be constituted a joint venture – of which the Company will be the Operator. The Company and Silver Phoenix will, forthwith after the creation of the joint venture, bona fide negotiate the terms of a joint venture agreement.

If the Company exercises the First Option it must, within 30 days thereafter, give an Election Notice to the Optionor that it will proceed to attempt the exercise of the Second Option or will not attempt to exercise the Second Option to earn an additional 10% interest in the property. If it gives a notice electing to attempt to exercise the Second Option it must, to exercise the Second Option:

(a) lend Silver Phoenix, at the most attractive interest rate available and in no case great than LIBOR plus½%, all of the amounts that will be payable by Silver Phoenix under the Joint Venture Agreement; and

(b) cause the Joint Venture to put the claims into commercial production.

Silver Phoenix is entitled, notwithstanding the exercise of the Options described above, to receive a 3.0% Net Smelter Return Royalty ("NSR"), which shall be calculated quarterly, and the following provisions will apply:

(a) If the First Option is exercised the Joint Venture shall pay Advance Royalty payments to the Optionor of $150,000 per year, commencing January 1, 2015 and such $150,000 Advance Royalty payment shall be made on January 1 of each year thereafter until the Commencement of Commercial Production;

(b) On the date of the Commencement of Commercial Production the total amount paid to the Optionor as Advance Royalty payments shall be calculated and the amount thereof shall be withheld from subsequent NSR payments to the Optionor until the total amount has been recovered by the Joint Venture from the NSR payments that would otherwise be payable to the Optionor;

(c) The NSR royalty payments that would otherwise be paid or credited to Silver Phoenix must be a minimum of $150,000 per year.

Silver Phoenix may, at any time prior to the exercise of the Second Option, elect to sell or deal with three of the claims comprising the property – covering approximately 863.3 hectares and known as the "George Prospect". In such case the Company will have a first right of refusal with respect to the Optionor's proposal.

Geology and Mineralization

The property is underlain by Proterozoic to Lower Paleozoic Kootenay Arc metamorphosed and deformed sedimentary and volcanic rocks, which have been intruded by Cretaceous-aged monzonite to granodiorite stocks. Meta-sedimentary and meta-volcanic units have been divided into four principal units (from oldest to youngest):

- Horsethief Creek Group (Neoproterozoic)
- Hamill Group (Lower Cambrian)
- Badshot Formation (Lower Cambrian)
- Lardeau Group-Index Formation (lower Paleozoic)

Kootenay rocks are host to a variety of mineral occurrences including vein silver-lead-zinc, gold-quartz vein, carbonate-hosted sedimentary exhalative, manto replacement, porphyry, and volcanogenic massive sulphide deposits. Among the most important of these are the sediment-hosted deposits such as the Sullivan, Bluebell, Reeves-MacDonald, and HB.

Silver, lead, and zinc with some gold values occur on the property in both sulphide vein and carbonate-replacement deposits. Mineralization at Waverley consists of highly oxidized veins and replacement bodies of galena, sphalerite, and tetrahedrite in a gangue of calcite and quartz. Accessory minerals include pyrite and pyrrhotite; and in oxidized zones anglesite, smithsonite, cerrusite, malachite, azurite, and limonite. At Tangier, the mineralization comprises lenticular bodies of pyrite and tetrahedrite in veins along with accessory quartz-carbonate.

Work Completed to Date

Exploration work conducted by Armadillo has been comprised of road refurbishment, geophysical surveying, and diamond drilling.

In June 2009, Armadillo completed a multi-sensor airborne geophysical survey over the Waverley-Tangier property. The survey was carried out by Precision GeoSurveys Inc., of Vancouver, and encompassed 1317 line-km of magnetometer and multi-channel spectrometer, flown over the core claims of the property. After a preliminary review of the data, the Company increased its mineral claims holdings by 6,895 ha from 4,449 hectares to 11,344 ha.

In September 2009, Armadillo carried out a diamond drilling program on the Tangier showing, completing seven holes (plus one hole lost due to caving) with an aggregate drilled length of 761.6 m. High-grade gold-silver-lead-zinc intersections were obtained in three of the holes (see Table 1 below).

Waverley - Tangier Drill Sample Results

Hole No	From (m)	To (m)	Interval (m)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)
2	50.90	62.48	11.58	1.66	148.7	0.36	1.37
includes	54.41	60.20	5.79	2.42	245.2	0.63	2.64
5	49.53	62.03	12.50	2.45	145.4	0.62	0.90
includes	51.82	53.34	1.52	6.80	162.5	2.01	2.70
and	59.58	62.03	2.44	5.30	567.9	0.56	0.64
8	62.48	71.02	8.53	3.20	190.3	0.28	1.92
includes	63.28	71.02	6.22	4.37	261.1	0.38	2.55
includes	67.82	68.58	0.76	22.30	1310.0	1.50	0.34

Notes:

1. Downhole distances represent apparent widths, although the orientation of the interpreted mineralized zone is such that they are close to true widths.
2. Holes #1, 3, 6 and 7 had no significant results. Hole # 4 was not sampled.

The Company exceeded the $200,000 first phase of the work commitment, with expenditures in excess of $430,000, which completed a large portion of our second year commitment. Additional work is planned to gain access to Waverley workings, develop additional drill targets, and continue drilling on the Tangier zone in order to explore for extensions to the known mineralization.

Wakefield Property

The Company acquired a 100% interest, for $250,000, in zinc claims located in northern Saskatchewan and planned to joint venture the property with larger zinc oriented company. However the property was forfeited due to the low percentage of zinc and higher than anticipated recovery costs.

LD Property

Property Description

The LD Property is located 12 km southeast of Atlin, BC, at approximate latitude 59° 31' N, longitude 133° 28' E. Access to the property is via Surprise Lake Road for 5 km and then Spruce Creek Road for 5 km. An all terrain road runs parallel to Dominion Creek and provides easy access to the property. The town of Atlin lies on the eastern shore of Atlin Lake, the largest natural lake in British Columbia, at an elevation of 670 m.

The claims comprise 12 two-post claims totaling 300 ha, straddling the headwaters of the McKee and Dominion Creeks, major placer gold producing creeks in the area. Dominion Creek is one of the main tributaries to Spruce Creek, a prolific placer gold producer. The main placer gold deposits on Spruce Creek lie immediately below its confluence with Dominion Creek at the site of the historic Nolan Mine in the Atlin Mining District.

Relief in the area is moderately rugged with slopes of up to 30^o rising from the Pine Creek Valley at an elevation of 915 m to peaks well over 1800 m. The topography is characterized by wide U-shaped, glacial valleys. The valley bottoms are covered by thick accumulations of glacial till, which gives way to felsenmeer and outcrop at higher elevations. Treeline is at an approximate elevation of 1400 meters.

A Canadian Government website (climate.weatheroffice.gc.ca) reports that for the period 1971 to 2000 in Atlin, the highest daily average temperatures occurred during the month of July, with a maximum of 18.6°C. The lowest average winter temperature was -19.3°C during the month of January. Total annual precipitation averaged 347.3 mm.

Exploration History

Gold was first discovered in the Atlin area in 1897 during the Dawson Creek Gold Rush. The first workings were on Pine Creek and by the end of 1898 more than 3,000 people were camped in the Atlin area.

Placer mining has been the economic mainstay for the town of Atlin. Reported placer gold production between 1898 and 1946 (the last year for which government records were kept) from creeks in the Atlin area totaled 634,147 ounces (19,722 kilograms) (Holland, 1950).

A number of the larger placer deposits, including those on Otter, Wright, Boulder, Birch, Ruby, Spruce and Pine Creeks, continued to produce significant quantities of gold into the late 1980s. Although the total placer gold production from the area to date is not available, it probably exceeds one million ounces (Ash, 2001).

From 1983 to 1986, Standard Gold Mines Ltd. worked the western portion of the LD property and the eastern portion of the property was worked by Claymore Resources Ltd. Both companies conducted soil geochemical, geophysical surveys, followed by small trenching and diamond drilling programs. In 1987, Placer Dome Inc. optioned the area containing the LD property but no work was conducted in the vicinity of the LD claims. No additional exploration work has been done on the property from 1987 until now.

Assessment reports filed with B.C. Ministry of Energy, Mines and Petroleum Resources (EMR) state that from 1983 to 1986 Standard Gold Mines Ltd. (Standard) and Claymore Resources Ltd. (Claymore) worked the west and east portions of the LD gold property, respectively. Both Claymore and Standard reported very high gold grades over relatively narrow zones of quartz veining in trenches, grab samples, and diamond drill core. On the western portion of the LD claims, Standard reported high grade gold values from numerous quartz veins in trenches along a shear structure. (EMR Assessment 11511). Several samples returned values in excess of 50 g/t gold including assays of 330.3 g/t gold (9.635 oz/T) and 426.5 g/t gold (15.116 oz/T) from 15kg bulk samples collected from the trenching.

Gold mineralization previously reported by Claymore was found in a trench grab sample of quartz veining in felsic rocks, which assayed 9.39 g/t gold. The best drill intersection was from Hole 1 and returned 0.274 oz/t gold over 3.05 m.

Property Tenure

Armadillo Resources agreed to purchase a 100% interest in the LD gold property from a privately held group. The Company has payments totalling $260,000 with a final payment of $240,000 due on the completion of the next flow-through/non flow-through private placement to be participated in by associated parties. There will be a 3% NSR and the Company has the option of purchasing 1% of the NSR for $1,000,000.

Geology & Mineralization

The Atlin region is located in the northwestern corner of the northern Cache Creek (Atlin) Terrane. It contains a fault-bounded package of late Paleozoic and early Mesozoic dismembered oceanic lithosphere, intruded by post-collisional Middle Jurassic, Cretaceous and Tertiary felsic plutonic rocks. Mixed graphitic argillite and pelagic sedimentary rocks that contain minor pods and slivers of metabasalt and limestone dominate the terrane. Remnants of oceanic crust and upper mantle lithologies are concentrated along the western margin. Dismembered ophiolitic assemblages have been described at three localities along this margin: from north to south they are the Atlin, Nahlin and King Mountain assemblages. Each area contains imbricated mantle harzburgite, crustal plutonic ultramafic cumulates, gabbros and diorite, together with hypabyssal and extrusive basaltic volcanic rocks. Thick sections of late Paleozoic shallow-water limestone dominate the western margin of the terrane and are associated with alkali basalts. These are interpreted to be carbonate banks constructed on ancient ocean islands within the former Cache Creek ocean basin. (reproduced from Ash, 2001)

Gold and silver mineralization occurs as quartz stockworks and quartz-filled tension gashes along with minor pyrite, chalcopyrite, galena, and sphalerite. Visible free gold is disseminated throughout the quartz veins, and often occurring with limonite as a dusting or coating on drusy quartz. Auriferous quartz veins are erratically distributed within ultramafic host rocks, principally as fracture-fillings. Vein widths range in the order of four to 90 cm in width.

SELECTED ANNUAL INFORMATION

The following selected financial data have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited financial statements. The following table sets forth selected financial data for the Company for and as of the end of the last three completed financial years to the year ended May 31.

Financial Year Ended	2010	2009	2008
Total revenue	Nil	Nil	Nil
Loss before extraordinary items	(268,193)	(310,340)	(130,995)
Loss per share – basic and diluted	($0.03)	($0.04)	($0.02)
Net loss	(268,193)	(310,340)	(130,995)
Net loss per share – basic and diluted	($0.03)	($0.04)	($0.02)
Total assets	1,003,716	974,025	740,982
Total long term financial liabilities	Nil	Nil	Nil
Cash dividends declared – per share	Nil	Nil	Nil

The Company was incorporated as a Capital Pool Company on May 4, 2007 and therefore had limited operating activities. The expenditures by the Company are those that are allowed to be spent in the acquisition of a qualifying transaction. The Company received its approval on its Qualifying Transaction on March 24, 2009.

Results of Operation for the quarter ended February 28, 2011 and the year ended May 31, 2010

This review of operations should be read in conjunction with the Audited Financial Statements of the Company for the years ended May 31, 2010 and 2009.

Result of Operations

The Company has not earned any revenues since inception.

Three Months Ended February 28, 2011 Compared to Three Months ended February 28, 2010

The following summary of our results of operations should be in conjunction with our financial statements for the quarter ended February 28, 2011 which are included herein.

Our operating results for the three months ended February 28, 2011, for the three months ended February 28, 2010 and the changes between those periods for the respective items are summarized as follows:

	Three Months Ended February 28, 2011	Three Months Ended February 28, 2010	Change between Three Months Ended February 28, 2011 and 2010
Total revenue	Nil	Nil	Nil
Administration fees	19,500	19,500	-
Consulting fees	116,300	10,500	105,800
Office	9,812	4,108	5,704
Accounting and audit fees	6,000	6,000	0
Rent	8,189	8,080	109
Legal	10,500	374	10,126
Filing and transfer agent fees	21,755	12,295	9,460
Wages and benefits	10,363	5,515	4,848
Investor relations	73,467	687	72,780
Travel	1,630	1,439	191
Financial service fees	45,000	-	45,500
Amortization	480	317	163
Interest expense (income)	23,100	-	23,100
Net Income (Loss)	(359,726)	(68,815)	(290,911)

Our financial statements report a net loss of $359,726 for the three months ended February 28, 2011 compared to a net loss of $68,815 for the three months ended February 28, 2010. Our losses have increased primarily as a result of an increase of $290,911 in financial services fees, filing and transfer agent fees, investor relations fees and consulting service fees and interest expense for interest accrued on promissory notes. All other expenses are in the normal course of doing business.

Nine months Ended February 28, 2011 Compared to Nine months ended February 28, 2010

The following summary of our results of operations should be in conjunction with our financial statements for the quarter ended February 28, 2011 which are included herein.

Our operating results for the nine months ended February 28, 2011, for the nine months ended February 28, 2010 and the changes between those periods for the respective items are summarized as follows:

	Nine Months Ended February 28, 2011	**Nine Months Ended February 28, 2010**	**Change between Nines Month Ended February 28, 2011 and 2010**
Total revenue	Nil	Nil	Nil
Administration fees	58,500	58,500	-
Consulting fees	136,550	31,500	105,050
Office	23,008	14,316	8,692
Accounting and audit fees	13,900	18,750	(4,850)
Rent	24,257	15,684	8,573
Legal	15,140	3,863	11,277
Filing and transfer agent fees	42,865	19,564	23,301
Wages and benefits	24,799	16,486	8,313
Investor relations	101,428	6,846	94,582
Travel	3,258	3,236	22
Stock based compensation	27,155	7,337	19,818
Financial service fees	112,500	-	112,500
Amortization	1,114	634	480
Gain on foreign exchange (Loss)	13,630	-	13,630
Interest expense (income)	26,100	(887)	26,987
Net Income (Loss)	(624,204)	(195,829)	(428,375)

Our financial statements report a net loss of $624,204 for the nine months ended February 28, 2011 compared to a net loss of $195,829 for the nine months ended February 28, 2010. Our losses have increased primarily as a result of an increase of $428,375 in financial services fees, filing and transfer agent fees, investor relations fees and stock based compensation of $27,155 (February 28, 2010 - $7,337) for 480,000 (February 28, 2010 – 50,000 to consultants) stock options granted to the directors and officers during the period and interest expenses for interest accrued on promissory note. All other expenses are in the normal course of doing business. The Company expects to continue losses for Fiscal 2011.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ending February 28, 2011. Each quarter of each financial year is shown on a quarterly basis:

	Quarter ended Feb. 28/11 $	Quarter ended Nov. 30/10 $	Quarter ended Aug. 31/10 $	Quarter ended May 31/10 $	Quarter ended Feb. 28/10 $	Quarter ended Nov. 30/09 $	Quarter ended Aug. 31/09 $	Quarter ended May 31/09 $
(a) net sales or total								

revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) Gain (Loss) before Extraordinary items	(359,726)	(171,902)	(92,576)	(72,364)	(68,815)	(72,309)	(54,705)	(267,101)
(c) Net Loss - Total - Per share diluted	(0.02)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.03)

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Three Months Ended February 28, 2011	Three Months Ended February 28, 2010	Nine Months Ended February 28, 2011	Nine Months Ended February 28, 2010
Net cash used in operating activities	$ (359,246)	$ (152,892)	$ (595,935)	$ (13,603)
Net cash provided from financing activities	778,700	-	2,796,359	10,500
Net cash used in investing activities	(405,162)	(211,907)	(680,898)	(313,676)
Cash increase (decrease) in cash during the Period	$ (28,881)	$ 380,003	$ 275,715	$ (439,208)

As of February 28, 2011, our total current assets were $423,457 and total current liabilities were $950,582. We had a working capital deficit of $527,125 (May 31, 2010 - $101,803 deficit). We had a net loss of $624,204 for the nine month period ended February 28, 2011 and a net loss of $1,336,591 since inception. The Company has limited financial resources and has financed its operations primarily through the sale of its common shares. For the foreseeable future, the Company will need to rely on the sale of such securities for sufficient working capital and to finance its mineral property acquisition and exploration activities, and /or enter into joint venture agreements with third parties. As the Company does not generate any revenue from operations, the long-term profitability of the Company will be directly related to the success of its mineral property acquisition and exploration activities.

Working capital deficit, which was current assets less current liabilities, was $527,125 at February 28, 2011 compared to a working capital deficit of $101,803 at May 31, 2010. Current assets at February 28, 2011 included cash and cash equivalents of $284,077, prepaid of $111,817 and receivables of $27,563.

As at February 28, 2011, our total liabilities increased to $950,582 from $141,685 as at May 31, 2010. This increase of $808,897 primarily resulted from the increase of promissory notes payable, accrued interests, accounts payable and accrued liabilities and reduction of due to related party.

The Company's cash flows used by operating activities are $359,246 and $152,592 for the three months periods as of February 28, 2011 and 2010, respectively primarily attributed to the increase of net loss for the three month periods. The increase in the Company's cash flow provided by financing activities from $0 for the three month ended February 28, 2010 to $778,700 for the three months ended February 28, 2011 was due to the increase in proceeds from share issue for cash, share subscription and purchased warrants exercise advances for cash and proceeds from promissory notes for the period ended February 28, 2011. The increase in the Company's cash flow used in investing activities from $211,907 for the three month ended February 28, 2010 to $405,162 for the period ended February 28, 2011 was due to the increase of investing in prepaid acquisition and exploration of mineral properties and purchase of capital assets.

The Company's cash flows used by operating activities are $595,935 and $136,603 for the nine months periods as of February 28, 2011 and 2010, respectively primarily attributed to the increase of larger net loss for the nine month periods. The increase in the Company's cash flow provided by financing activities from $45,500 for the nine month ended February 28, 2010 to $2,796,359 for the nine month ended February 28, 2011 was through to the increase in proceeds from share issued for cash, share subscription and purchase warrants exercise advances and proceeds from promissory notes for the period ended February 28, 2011. The increase in the Company's cash flow used in investing activities from $306,173 for the period ended February 28, 2010 to $1,839,746 for the period ended February 28, 2011 was due to the increase of acquisition and exploration of mineral properties and prepaid acquisition and exploration of mineral properties.

As a result of the increase, we recorded a larger net loss for the 2011 third quarter compared to the 2010 third quarter. Therefore we have limited capital resources and will have to rely upon the issuance of common stock to fund our planned operations. Cash and cash equivalents from inception to date have been sufficient to cover expenses involved in starting our business. We will require additional funds to continue to implement our business plan during the next twelve months.
The Company has no long-term debt obligations.

SHARE CAPITAL

Capital stock

As of the date of this MD&A, the Company has issued and outstanding common shares as follows. The authorized share capital is unlimited no par value common shares:

	Number of Common Shares		Amount
Balance May 31, 2009	8,707,500		1,169,599
Issued for cash			
Agent warrants exercised	70,000		10,500
Private placement	1,535,000		153,500
Share issued for mineral interest	150,000		14,250
Finder's fee	63,000		-
Fair value on exercise of agent warrants	-		5,201
Balance, May 31, 2010	10,525,500	$	1,353,050
Private placement	10,083,000		1,008,300
Warrants exercised	763,000		107,820
Finder's fee	81,500		8,150
Share issuance costs	-		(37,011)
Warrants exercised	300,000		42,000
Balance, February 28, 2011	21,753,000		2,455,639
Share issued for debt	268,000		67,000
Warrants exercised	100,000		15,000
Private placement	13,525,997		2,058,900
Finder's fee	105,924		15,889
Share issued cost	-		117,320
Balance, April 29, 2011	35,752,921		4,480,108

On June 28, 2010, the Company closed a private placement and issue 2,500,000 units at $0.10 per unit for gross proceeds of $250,000. Each unit consisted of one common share, one share purchase warrant entitling the holder to acquire one additional common share at $0.14 for a period of 1(one) year from closing. A finder's fee of 81,500 common shares and $9,100 was paid.

On October 4, 2010 the Company closed a private placement and issued 5,533,000 units at $0.10 per unit for gross proceeds of $553,300. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share at $0.15 for a period 2 (two) years from closing. The Company also closed a flow-through private placement and issued 2,050,000 units at $0.10 per unit for gross proceeds of $205,000. Each unit consisted of one common share and one half share purchase warrant entitling the holder to acquire one additional common share at $0.15 for a period of 2 (two) years from closing. The Company paid a finder's fee of $19,761.

On October 30, 2010, the Company issued 763,000 common shares in connection with the exercise of purchased warrants at a price of $0.14 or $0.15 per share for total proceeds of $107,820.

On October 29, 2010, the Company announced the arrangement of 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 1 (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 for corporate use. As of February 28, 2011, the Company received advanced share subscription funds of $401,400. There will be a finder's fee of 7% payable in stock or cash.

On March 11, 2011, the Company issued warrants exercise advance of $15,000 in connection with the exercise of 100,000 purchase warrants at a price of $0.15 per share.

On March 17, the Company agreed to issue shares for 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 a promissory note and financial expenses 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.

As a result of global economic conditions, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business and assets of the Company have not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its Fiscal 2011 operating overhead through a private placement and its exploration expenditures through a flow-through private placement.

Escrow 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 nine months thereafter for a period of thirty-six months.

Stock Options

As of the date of this MD&A the Company had the following incentive stock options outstanding:

Expiry Date	Exercise Price	Outstanding May 31, 2010	Granted	Exercised	Forfeited	Outstanding April 29, 2011
March 31, 2014	$0.20	780,000	-	-	-	780,000
September 11, 2014	$0.20	50,000	-	-	-	50,000
July 9, 2015		-	480,000	-	-	480,000
		830,000	480,000	-	-	1,310,000
March 4, 2016	$0.15		100,000			100,000
March 2, 2012	$0.18		5,000,000			5,000,000
March 4, 2016	$0.17		1,500,000			1,500,000
						7,910,000

Warrants

As of the date of this MD&A the Company had the following share purchase warrants, enabling the holder to acquire further common shares as follows:

Expiry Date	Exercise Price	Outstanding May 31, 2010	Issued	Exercised	Expired	Outstanding April 29 2011
March 25, 2011(*)	$0.30		-	-	(750,000)	-
February 23, 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)	-	2,100,000
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
March 29, 2013	$0.20	-	13,525,997	-	-	13,525,997
March 29, 2012	$0.20	-	453,833	-	-	453,833
						23,508,830

(*) The Company received TSX Venture Exchange approval to change the expiry date and the exercise price on the outstanding warrants.

As of February 28, 2011, the Company received warrants exercise advance of $15,000 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. On January 15, 2011, the Company issued 300,000 shares of the Company's common stock.

On March 17, 2011, the Company issued warrants exercise advance of $15,000 in connection with the exercise of 100,000 purchase warrants at a price of $0.15 per share.

Contributed Surplus

The contributed surplus balance at February 28, 2011 was $258,523 compared to $231,368 at February 28, 2010. The increase of $27,155 was mainly the result of stock-based compensation calculated on stock options granted to Management, employees and consultants of the Company.

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 and operating expenses advance.

These 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.

LOAN RECEIVABLE

The Company advanced Amazonia Capital E Participacoes Ltd. ("Amazonia") CAD$1,254,768 (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 the Company is to acquire 99% with the following terms detail below:

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 been 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;
2. US$200,000 property taxes and RH expenses (paid);

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);
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 monies 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 follows:

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 monies 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 "Exchange")
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. Approval 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.

Amazonia is the registered holder of approximately 860,000 hectares of *processos minerais* (exploration concessions) in northern Brazil. The property encompasses 116 concessions in the states of Amazonas, Mato Grosso and Rondonia and was originally staked by John Young for RH. Most of the concessions have been staked over Archaen to Lower Proterozoic greenstone belts which are considered to be prospective for gold. Small-scale *garimpeiros (*artisanal miners) are active in and around all of the concession areas. Gold production by garimpeiros in northern Mato Grosso from the end of the 1970s to 2000 is reported by the National Department of Mineral Production to have totaled 123t (Tobias da Silva, 2008).

CEASE TRADE

On October 20, 2010 the Company requested the shares of the Company to be cease traded pending news. Further to the TSX Venture Exchange bulletin dated October 20, 2010 trading in the shares of the Company will remain halted pending receipt and review of acceptable documentation regarding the change of business and/or reverse takeover (RTO) pursuant to listings Policy 5.2.

By March 29, 2010 the Company had failed to secure TSX.V acceptance of the RTO and therefore sought a voluntary delisting of its shares from the TSX.V in order to proceed with listing on the Canadian National Stock Exchange (CNSX), which came into effect February 8, 2011.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash and equivalents and marketable securities are measured based on level 1 of the fair value hierarchy.

The fair values of receivables, accounts payable and accrued liabilities and loan payable approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

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 credit risk is primarily attributable to cash and equivalents and receivables. The Company places its cash in significant financial institutions. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

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 $312,958 to settle current liabilities of $573,577. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

Interest rate risk

The Company has cash balances and interest-bearing promissory notes. The Company's current policy is to invest excess cash in investment-grade short-term investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars (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 oil and natural gas, 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.

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.

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 AND IMPLEMENTATION

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended August 31, 2011, which must include restated interim results for the prior period ended August 31, 2010 prepared on the same basis.

Team – Due to the size of the Company the CFO will be performing the IFRS conversion and will report to the Audit Committee on the progress accomplished.

Training – During fiscal 2010 the CFO attended IFRS training sessions given by Davidson and Company LLP. The objective of the training was to become aware of the timing of IFRS, comparing Canadian GAAP to IFRS and IFRS as it applies specifically to the mining industry. The CFO expects to continue with training during fiscal 2011.

Consulting – The Company has hired a consulting firm to associate with the Company to prepare position papers and IFRS work papers for IFRS conversion.

Accounting policies – A review of the IFRS conversion process has been performed which highlighted key differences between GAAP and IFRS. A further detailed review will be concluded in the second quarter of fiscal 2011 to conclude its actions and to assist in the conversion process and the preparation of IFRS financial statements. The following is a list of IFRS standards that may have a potential impact on the financial statements of the Company and are considered most relevant to the Company's conversion process.

First Time Adoption (IFRS 1) – First-time adoption provides guidance to entities adopting IFRS for the first time. The key principle of IFRS 1 is full retrospective application of all IFRS in force at the closing balance sheet date in an entity's first IFRS financial statements. However, there are a number of exemptions that reduce the burden of retrospective application that will have to be reviewed by the Company.

Exploration for and Evaluation of Mineral Resources (IFRS 6, IAS 16, IAS 38) - IFRS allows the costs of exploration for and evaluation (E&E) of mineral resources to either be expensed as incurred or capitalized, in accordance with the entity's selected accounting policy. At the moment, the Company capitalizes the exploration expenses, unless the Company has not obtained the legal rights to the property or has already written off the property. IFRS request that E&E cost be classified as either tangible or intangible assets, a segregation not being done under Canadian GAAP.

Impairment of Assets (IAS 36, IFRIC 10) - Like IFRS, Canadian GAAP requires an impairment testing when there is an indicator of impairment, except that under IFRS, the Company must assess if there is an indicator each reporting date. Unlike IFRS, the estimates of future cash flows used in assessing whether an impairment loss exists are not discounted under Canada GAAP. This might trigger more impairment testing under IFRS. Unlike IFRS, Canadian GAAP always recognizes impairment losses in the statement of earnings because the revaluations of long-lived assets are not permitted.

Share-based Compensation (IFRS 2) – Share-based compensation is not expected to impact the Company's financial statements as the stock options generally vest immediately. For stock options that vest over time the Company recognizes stock–based compensation using the BlackScholes valuation module and employing the graded vesting method. The Company will commence using this valuation methodology in the first quarter of 2011.

Information systems – The accounting process of the Company are simple as it is in the exploration stage and no major challenges are expected at this point to operate the accounting system under IFRS. Some excel spreadsheets will be adopted to support the changes made in accounting policies.

Conclusion - Based on the Company's review and Management's assessment of IFRS, the Company does not anticipate the conversion to IFRS will have a significant impact on the Company's reported amount and or its business; however the financial statement disclosure will be greatly expanded. The Company also expects to meet all reporting deadlines in its conversion to IFRS and will report any difficulties in meeting these deadlines.

APPROVAL

The Board of Directors of Armadillo Resources Ltd. has approved the disclosures in this MD&A.

FORWARD LOOKING STATEMENTS

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and belief, and are subject to risk, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

Additional information on the Company available through the following source: www.sedar.com.