ARMADILLO RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 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 year ended May 31, 2011. This MD&A has been prepared as of September 28, 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, 2011 herein that audited 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 gold/silver/lead/zinc 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 also 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 11,344 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 from March 24, 2009 pay $75,000 and issue 175,000 Shares to the Optionor (paid and issued);
   (b) within one year before March 24, 2010 pay $75,000 and issue 150,000 Shares to the Optionor;(paid and issued)
   (c) within two years before March 24, 2011 pay $100,000 and issue 150,000 Shares to the Optionor; (paid and issued, $50,000 cash payment outstanding)
   (d) within three years before March 24, 2012 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 before March 24, 2010 (completed);

   (b) an aggregate total of $500,000 before March 24, 2011;

   (c) an aggregate total of $1,500,000 before March 24, 2012; and

   (d) an aggregate total of $3,000,000 before March 24, 2013.

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.

In 2010, due to heavy rain, the Company engaged in and completed reconstruction of the roads to maintain accessibility to the Tangier workings.

In 2011, the Company upgraded the road and built a pad for a rock crusher and established a bridge across Sorcerer Creek to remove and re-work the Tangier tailings.

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 1400m.

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	2011	2010	2009
Total revenue	Nil	Nil	Nil
Loss before extraordinary items	(1,356,547)	(268,193)	(310,340)
Loss per share – basic and diluted	($0.06)	($0.03)	($0.04)
Net loss	(1,356,547)	(268,193)	(310,340)
Net loss per share – basic and diluted	($0.06)	($0.03)	($0.04)
Total assets	10,147,000	1,003,716	974,025
Total long term financial liabilities	5,642	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.

<u>Results of Operation for the years ended May 31, 2011 and 2010</u>

This review of operations should be read in conjunction with the Audited Financial Statements of the Company for the years ended May 31, 2011 and 2010 which are included herein.

<u>Result of Operations</u>

The Company has not earned any revenues since inception.

<u>The Fourth Quarter, Three Months Ended May 31, 2011 Compared to Three Months ended May 31, 2010</u>

Our operating results for the three months ended May 31, 2011, for the three months ended May 31, 2010 and the changes between those periods for the respective items are summarized as follows:

	Three Months Ended May 31, 2011	Three Months Ended May 31, 2010	Change between Three Months Ended May 31, 2011 and 2010
Total revenue	Nil	Nil	Nil
Administration fees	19,500	19,500	-
Consulting fees	13,510	10,500	3,010
Office	10,347	11,663	(1,316)
Accounting and audit fees	6,000	6,000	-
Rent	8,381	8,020	361
Legal	13,103	964	12,139
Filing and transfer agent fees	(3,560)	3,266	(6,826)
Stock based compensation	211,407	1,259	210,148
Impairment of mineral	250,150	-	250,150
Wages and benefits	16,560	6,120	10,440
Investor relations	107,115	3,162	103,953
Travel	17,673	1,593	16,080
Sponsorship fees	15,000	-	15,000
Property investigation cost	45,937	-	45,937
Amortization	3,307	317	2,990

Foreign exchange loss	19,156	-	19,156
Future income tax recovery	(51,250)	-	(51,250)
Interest expense (income)	30,007	-	30,007
Net Income (Loss)	(732,343)	(72,364)	(659,979)

During the fourth quarter, the Company incurred a net loss of $732,343 for the three months ended May 31, 2011 compared to a net loss of $72,364 for the three months ended May 31, 2010. Our losses have increased primarily as a result of an increase of $693,854 in legal fees, investor relations fees, sponsorship fees, wages and benefits and interest expenses for interest accrued on promissory notes and travel expenses for property acquisition, properly investigation cost, stock based compensation and impairment loss on mineral property All other expenses are in the normal course of doing business.

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, 2011, the Company agreed to issue shares of $67,200 for consulting services provided. On March 29, 2011, the Company issued 268,000 shares of the Company's common stocks at a price of $0.25 per share.

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 2 (two) 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 2 (two) 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 May 31, 2011, the Company issued 39,750,000 shares, valued $6,757,500 at a fair value of $0.17 per share for acquisition of property in Brazil pursuant to the purchase agreement dated May 27, 2011.

During the three months ended May 31, 2011, the Company issued 870,000 shares of the Company's common stock in connection with warrants exercise of purchase warrants at a price of $0.14 or $0.15 per share for total proceeds of $122,800. As of the year ended May 31, 2011, the Company had a share issuance receivable of $21,000 outstanding. As of the filing of the financial statements, the Company is in receipt of the funds.

There are no other significant events or items that affect the Company's financial condition, cash flow or results of operation.

Fiscal Year Ended May 31, 2011 Compared to Fiscal Year Ended May 31, 2010

The following summary of our results of operations should be in conjunction with our financial statements for the fiscal year ended May 31, 2011 which are included herein.

Our operating results for the fiscal year ended May 31, 2011, for the fiscal year ended May 31, 2010 and the changes between those periods for the respective items are summarized as follows:

	Fiscal Year Ended May 31, 2011	**Fiscal Ended May 31, 2010**	**Change between Fiscal Year Ended May 31, 2011 and 2010**
Total revenue	Nil	Nil	Nil
Administration fees	78,000	78,000	-
Consulting fees	150,060	42,000	108,060
Office	33,355	25,979	7,376
Accounting and audit fees	19,900	24,750	(4,850)
Rent	32,637	23,704	8,934
Legal	28,243	4,827	23,416

Filing and transfer agent fees	39,305	22,830	16,475
Wages and benefits	41,359	22,606	18,753
Investor relations	208,543	10,008	198,535
Travel	20,931	4,829	16,102
Stock based compensation	238,562	8,596	229,966
Finance fees	112,500	-	112,500
Sponsorship fees	15,000	-	15,000
Property investigation cost	45,937	-	45,9371
Amortization	4,421	951	3,470
Gain on foreign exchange (Loss)	32,786	-	32,786
Interest expense (income)	56,107	(887)	56,994
Impairment of mineral property	250,150	-	250,150
Future income tax recovery	(51,250)	-	(51,250)
Net Income (Loss)	(1,356,547)	(268,193)	(1,088,354)

Our financial statements report a net loss of $1,356,547 for the year ended May 31, 2011 compared to a net loss of $268,193 for the year ended May 31, 2010. Our losses have increased primarily as a result of an increase of $666,245 in financial services fees, consulting fees, impairment of mineral property, investor relations fees and stock based compensation of $238,562 for 1,450,000 (February 28, 2010 – $8,596 for 530,000) stock options granted to the Directors, Officers and employee of the Company during the period and interest expenses for interest accrued on promissory notes. 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 May 31, 2011. Each quarter of each financial year is shown on a quarterly basis:

	Quarter ended May 31/11 $	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 $
(a) net sales or total revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) Gain (Loss) before Extraordinary items	(732,343)	(359,726)	(171,902)	(92,576)	(72,364)	(68,815)	(72,309)	(54,705)
(c) Net Loss - Total - Per share diluted	(0.01)	(0.02)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Fiscal Year Ended May 31, 2011		2010	
Net cash used in operating activities	$	(1,173,845)	$	(237,540)
Net cash provided from financing activities		3,439,342		154,000
Net cash used in investing activities		(2,171,170)		(362,510
Cash increase (decrease) in cash during the Period	$	94,327	$	(446,050)

As of May 31, 2011, our total current assets were $185,606 and total current liabilities were $477,020. We had a working capital deficit of $291,414 (May 31, 2010 - $101,803 deficit). We had a net loss of $1,356,547 for the fiscal year ended May 31, 2011 and a net loss of $2,068,934 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 $291,414 at May 31, 2011 compared to a working capital deficit of $101,803 at May 31, 2010. Current assets at May 31, 2011 included cash and cash equivalents of $102,695, prepaid of $26,950 receivables of $55,967.

As at May 31, 2011, our total liabilities increased to $482,662 from $141,685 as at May 31, 2010. This increase of $340,977 primarily resulted from the increase of promissory notes payable, accrued interests, accounts payable and accrued liabilities.

The Company's cash flow used by operating activities are $1,173,845 and $237,540 for the years ended at May 31, 2011 and 2010, respectively primarily attributed to the increase of larger net loss for the fiscal year, amounts receivable and off set of due to related party.

The increase in the Company's cash flow provided by financing activities from $154,000 for the year ended May 31, 2010 to $3,439,342 for the year ended May 31, 2011 was through to the increase in proceeds from share issued for cash, share subscription and purchase warrants exercised and proceeds from promissory notes (see note 9, financial statements) for the year ended May 31, 2011.

The increase in the Company's cash flow used in investing activities from $362,510 for the year ended May 31, 2010 to $2,171,170 for the year ended May 31, 2011 was due to the increase of purchase of equipments, 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 fiscal year 2011 compared to the fiscal year 2010. 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
Mineral property option payments (Note 5)	150,000		16,500
Private placements, net of share issuance costs	23,796,421		2,835,751
Shares issued for deferred acquisition (Note 4)	39,750,000		6,757,500

Warrants exercised	1,933,000	272,620
Shares issued for consulting services	268,000	67,200
Stock-based compensation	-	-
Flow-through share renunciation	-	(51,250)
Balance, September 28, 2011	76,422,921	11,253,766

Escrow shares

As at May 31, 2011, 495,000 (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 on March 24, 2009, and an additional 15% (247,500) will be released every nine months thereafter for a period of 36 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 May 31, 2011	Outstanding September 28, 2011
March 31, 2014	$0.20	780,000	-	-	-	780,000	780,000
September 11, 2014	$0.20	50,000	-	-	-	50,000	50,000
July 9, 2015		-	480,000	-	-	480,000	480,000
March 4, 2016	$0.17		1,500,000		(50,000)	1,450,000	1,450,000
			1,890,000		(50,000)	2,760,000	
June 9, 2016	$0.15		100,000				100,000
June 9, 2016	$0.13		50,000				50,000
August 18, 2012	$0.08		3,000,000				3,000,000
August 18, 2012	$0.10		50,000				50,000
							5,960,000

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 September 28 2011
March 25, 2011(*)	$0.30	750,000	-	-	(750,000)	-
February 23, 2012	$0.14	370,000	-	(220,000)	-	150,000
May 21, 2011	$0.14	1,165,000	-	(1,050,000)	(115,000)	-
June 28, 2012 (*)	$0.14	-	2,500,000	(400,000)	-	2,100,000
October 4, 2012	$0.15	-	1,025,000	(100,000)	-	925,000
October 24, 2012	$0.15	-	5,533,000	(100,000)	-	5,433,000
March 29, 2013	$0.20	-	13,525,997	-	-	13,525,997
		2,285,000	22,583,997	(1,870,000)	(865,000)	22,133,997
March 29, 2012	$0.20	-	453,833	-	-	453,833
September 28, 2011(**)						22,587,830

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

(**) On March 29, 2011, the Company completed a private placement and granted 453,833 broker warrants at an exercise price of $0.20 as funder's fees with warrants assessment value of $47,971.

RELATED PARTY TRANSACTIONS

During the year ended May 31, 2011, the Company was charged $78,000 and $18,070 (February 28, 2010 - $78,000 and $Nil) in management and consulting fees by Officers of the Company and a company owned by an Officer of the Company.

The Company paid consulting fees of $14,000 (2010 - $24,000) to a company controlled by a former director and officer of the Company.

The Company incurred rental charges of $Nil (2010 - $5,432) companies with common directors.

The Company incurred legal fees of $Nil (2010 - $1,349) from a law firm of which a director of the Company is a principal.

As of May 31, 2011, the amount due to related parties consists of $Nil (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.

PROPOSED TRANSACTION

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

	2011
Cash payments	$ 1,891,177
Shares issued as consideration	6,375,000
Shares issued for finders' fees	382,500
Deferred acquisition costs	$ 8,648,677

As at May 31, 2011 the Company has made cumulative cash payments of $1,891,177 and issued 37,500,000 shares as consideration for the Acquisition. An additional 2,250,000 shares of the Company were issued as finders' fees. Subsequent to year end, the ownership transfer of the Amazonia shares to the Company is in process and as of September 28, 2011 the shares of Amazonia have not yet been received by the Company.

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

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

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

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 remained 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 are measured based on level 1 of the fair value hierarchy.

The fair values of accounts 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:

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 May 31, 2011 the Company had cash and equivalents balance of $102,689 (May 31, 2010- $8,362) to settle current liabilities of $477,020 (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 to meet its financial obligations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices, which are described below.

Interest rate risk

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

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuation related to assets and liabilities that are demonstrated in US Dollar (USD). However US$ balances are insignificant as at May 31, 2011 and in management's opinion the Company's foreign currency risk is immaterial.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of mineral resources, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

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.
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. 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 2012.

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.

SUBSEQUENT EVENTS

a) On June 9, 2011, the Company granted 100,000 and 50,000 stock options at respective exercise prices of $0.15 and $0.13 with five years expiry periods.

b) On June 27, 2011, the warrants priced at $0.14 from the private placement dated June 24, 2010 had the expiry date extended one year from June 28, 2011 to June 28, 2012.

c) On August 18, 2011, the Company granted 3,000,000 and 50,000 stock options at respective exercise prices of $0.08 and $0.10 with a one year expiry period.

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.