

A quarter of progress and consolidation for Amarillo

This news release should be read in conjunction with our consolidated financial statements and management's discussion and analysis for the six months ended June 30, 2021. Both are available at www.amarillogold.com, and under our company profile at www.sedar.com.

All monetary amounts are in Canadian dollars unless stated otherwise.

TORONTO, ONTARIO – AUGUST 25, 2021 – Amarillo Gold Corporation (TSXV: AGC, OTCQB: AGCBF) continued to explore its financing options for the Posse Gold Project during the second quarter, said the Company today as it announced its financial results for the six months ended June 30, 2021.

“Our goal is to find the right financing option for our shareholders,” said Mike Mutchler, Amarillo’s Chief Executive Officer. “We want to make sure that our ultimate choice minimizes dilution and maximizes return for our shareholders.”

“We’ve continued to make great progress at Posse,” added Mutchler, “and launched a successful exploration program at Lavras do Sul, our second property, where our goal is to open a second development front.”

As Amarillo reported last quarter, the Company had an exclusivity arrangement with an established financier that expired at the end of March. Under that arrangement, Amarillo completed significant technical due diligence, a process that raised no red flags. However, the Company chose not to extend the exclusivity, so that it could explore whether there would be other financing options available that would be better for Amarillo. Over the course of the arrangement, Amarillo has significantly de-risked the project, and as such, believes that it could get better terms than were originally contemplated.

Amarillo continues to explore all its options. This process is by nature unpredictable, so it’s difficult to set timelines around how long it will take, though Amarillo believes this approach will result in a better outcome for shareholders in the long term.

In the meantime, the advancements at Posse include:

- More than 90% of the land for the project area has been acquired; we’re acquiring the final parcel and that process should be completed shortly
- 45% of the overall project detailed engineering, including 91% of the early works detailed engineering, has been completed; balance of engineering will be based on major equipment acquisitions that will be purchased subject to project financing
- Plan is to purchase vendor drawings for ball mill to advance detailed engineering
- Permits for three of our waste rock piles have been received
- 92% of the engineering documentation for the crushing plant is finished; 3D model is complete
- Equipment engineering for the grinding circuit is complete
- Equipment engineering for the filtration circuit is expected to be completed in September.

Since signing the power line agreement, 86% of the land needed to build the power line has been acquired. Engineering is complete and overall project approval is pending from Amarillo’s partner, Enel Brasil, the state electric power utility. The License to Install for the power line remains outstanding. Civil works for equipment supports and fencing are ongoing at the Porangatu substation, and the technical analysis for the main substation has been completed.

One of the terms of the License to Install for Posse is to develop and train local labour. Over 2,000 people have registered at Amarillo's training centre in the town of Mara Rosa since it opened in February, and over 500 people have been trained through 36 courses between January and July.

During the quarter, an [8,500-metre drill program was launched](#) targeting four areas close to the Posse Gold Deposit. The aim is to identify potentially economic gold deposits that could add to Posse's existing resources and reserves and enhance its production profile.

At Lavras do Sul, [Amarillo consolidated its land position](#). A successful exploration program was begun, with the Company [drilling a significant gold-hosting structural zone during at Matilde](#), one of 23 highly prospective gold targets on the property.

Two holes located 50 metres apart along an east-west strike direction were drilled at Matilde, confirming the primary source of gold of an overlying gold-in-soil anomaly. Wide intervals of gold mineralization were intersected from surface in both holes.

Amarillo remains very fortunate with respect to Covid-19. A few of employees in Brazil have tested positive, but all have fully recovered. Approximately 86% of Amarillo's personnel have had their first vaccine, as well 36% of the contractors.

The Company continues to have full access to our properties and consultants have been able to work without interruption. In Canada, the Toronto-based management team has been working from home since mid-March 2020. So far, Covid-19 has not had a material impact on Amarillo's financial condition or performance.

At the corporate level, the Company announced its [succession plan for our country manager](#) after quarter end. Paulo Serpa, an accomplished mining engineer from Brazil, will succeed Arão Portugal as Country Manager for Amarillo's Brazilian subsidiaries when Mr. Portugal retires at the end of September. Following Mr. Serpa's appointment, Mr. Portugal will remain active with the Company, serving as special adviser to the CEO.

Amarillo's new website and social media channels were launched during the quarter, and it attended two virtual conferences. It will participate in three to four conferences, a mix of in-person and virtual events, this fall.

Cash on hand at the end of the second quarter was \$40.5 million, most of which is invested in short term savings and investment accounts awaiting deployment for constructing Posse, exploration, and general corporate purposes.

The Company issued 500,000 stock options to new employees during the first half of 2021: 200,000 options at \$0.33 and 300,000 options at \$0.34. Another 50,000 at \$0.30 were issued after quarter end. All the options have a five-year term.

WEBCAST

Amarillo's CEO, Mike Mutchler, will give a corporate update during his presentation from the Precious Metals Summit Beaver Creek on Saturday, September 11, 2021, at 10:15 a.m. MDT/12:15 p.m. EDT.

Shareholders and other stakeholders are encouraged to listen in at this link:
<https://wsw.com/webcast/preciousmetals3/agc.v/>.

He will also present at the Gold Forum Americas on Monday, September 13 at 10:00 a.m. MDT/1:00 p.m. EDT: <https://www.denvergold.org/company-live-session/xpl21/443/>.

ABOUT AMARILLO

Amarillo is advancing two gold projects located near excellent infrastructure in mining-friendly states in Brazil.

The development stage Posse Gold Project is on the Company's Mara Rosa Property in Goiás State. It has a positive definitive feasibility study that shows it can be built into a profitable operation with low costs and a strong financial return. Mara Rosa also shows the potential for discovering additional near-surface deposits that will extend Posse's mine life beyond its initial 10 years. The exploration stage Lavras do Sul Project in Rio Grande do Sul State has more than 23 prospects centered on historic gold workings.

Amarillo trades on the TSXV under the symbol AGC and the OTCQB under the symbol AGCBF. Visit www.amarillogold.com to learn more about the Company's focus on becoming a mid-tier Brazilian gold producer.

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NOTES

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Forward-looking statements

This news release contains forward-looking statements regarding the Company's current expectations regarding future events, including its business, operations and condition, and management's objectives, strategies, beliefs and intentions.

Various factors may prevent or delay our plans, including but not limited to, the trading price of the common shares of the Company, capital market conditions, impacts from the coronavirus or other epidemics, counterparty risk, TSXV approval(s), contractor availability and performance, weather, access, mineral and gold prices, and success and failure of the exploration and development carried out at various stages of the program. Permission from the government and community is also required to proceed with future mining production. Readers should review the Company's ongoing quarterly and annual filings, as well as any other additional documentation comprising the Company's public disclosure record, for additional information on risks and uncertainties relating to these forward-looking statements.

Readers should also review the risk factors applicable to junior mining exploration companies generally to better understand the variety of risks that can affect the Company. The Company undertakes no obligation to update publicly or otherwise revise any Forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law.