



Amarillo reports third quarter results

This news release should be read in conjunction with Amarillo Gold Corporation's condensed interim consolidated financial statements and management's discussion and analysis for the nine months ended September 30, 2020. Both are available at www.amarillogold.com and filed under the Company's profile on SEDAR at www.sedar.com.

All monetary amounts are expressed in Canadian dollars unless otherwise specified.

Toronto, Ontario – November 25, 2020 – Amarillo Gold Corporation (Amarillo or the Company) (TSXV: AGC, OTCQB: AGCBF) today announced its financial results for the nine months ended September 30, 2020.

During the third quarter of 2020, Amarillo continued to prepare to break ground on the Posse Gold Mine. It recruited two mine builders with experience in Brazil to the board of directors, placed orders for long lead time items, added to the operations team, and made significant headway towards financing the project.

“We’re very pleased with how the negotiations are proceeding on the debt financing,” said Mike Mutchler, Amarillo’s Chief Executive Officer. “Although the License to Install is outstanding, we still expect to receive it by the end of the year. We remain on schedule for breaking ground on Posse as anticipated in Q2 2021, subject to financing.”

Project development at Mara Rosa

- *License to Install for Posse* – expected at any time. The government appears to have completed its review and seems to be in the final stages of its process. Amarillo submitted its application in December 2019; the approval process may be slightly longer than anticipated due to complications from Covid-19. The Company remains optimistic, especially because the State of Goiás announced its formal support of the Posse Gold Project on May 26.
- *Permitting* – The Water Use permit application was submitted in Q1 and received from Brazil’s National Water Agency in July. The Deforestation Permit, also submitted in Q1, is expected shortly.
- *Operations* – the Company has begun detailed engineering and committed to acquiring the crusher, among other long lead time items. It has also begun to build its staff in Brazil in anticipation of entering the construction phase. The majority of land has been purchased or is under contract to purchase. Negotiations to purchase the remain land are continuing with landowners.
- *Power* – the land transmission line survey is complete, and the Company is preparing its application for the License to Install relating to the power line. Negotiations have begun to buy land along the proposed power line route, and to lock in electricity prices with the ENEL, the distributor of electricity.
- *Exploration* – trenching results from Mara Rosa showed gold anomalies up to 8 kilometres northeast of Posse Gold Deposit. Ongoing exploration continues to demonstrate the district scale potential, and the increasing likelihood of finding satellite gold deposits on the property. An induced polarization survey on Mara Rosa was started after quarter end.

Successfully closed equity portion of construction financing

- Successful \$57.2 million equity offerings closed on August 13, 2020.
- Negotiations are in progress to finalize the balance of the construction financing for Posse, under the guidance of Auramet International, Amarillo’s financial adviser.

Exploration at Lavras do Sul

- Results for the 3,000-metre drill program completed in the first quarter are still pending. An induced polarization survey on the property will be done during the fourth quarter.

With over 5 million reported cases of Covid-19, Brazil has been hit hard by the pandemic. Although the number of cases started to decrease significantly in the third and early fourth quarters, the number of cases showed an upward trend by the middle of November. This increase is consistent with the second wave of the pandemic that is hitting several other countries around the world.

Amarillo follows the guidelines set by the local governments and health authorities where it operates and has a series of operational and monitoring protocols in place to ensure the health and safety of its employees. Its management team in Toronto, Canada, has been working from home since mid-March. In early October, the team in Belo Horizonte, Brazil, returned to the workplace, wearing masks, maintaining physical distancing, and following all other relevant guidelines.

The operations at Mara Rosa and Lavras do Sul have not been affected by Covid-19, and so far, the pandemic has not had a material impact on the Company's operations, financial condition, cash flows, or financial performance. As noted above, the slight delay in receiving the License to Install may be due to Covid-19; however, this has not delayed the construction start date for the project.

While it is hard to predict what impact the outbreak will have on implementing the Company's exploration and development activities, Amarillo's management team remains confident at this time that the delays may be minimal. The Company has full access to its properties, and its consultants have been able to continue their work uninterrupted.

Financial results

The following table summarizes the Company's major operating expense categories for the third quarter of 2020 (Q3 2020) and 2019 (Q3 2019) and for the nine months ended September 30, 2020 (YTD 2020) and 2019 (YTD 2019).

| | Three months ended | | Nine months ended | |
|---|--------------------|------------------|-------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| General and administrative (G&A) | | | | |
| Consulting | 82,925 | 167,810 | 210,392 | 283,281 |
| Professional | 150,488 | 244,014 | 541,887 | 631,346 |
| Salaries and benefits | 171,309 | 172,511 | 525,121 | 526,508 |
| Directors' fees | 52,500 | 70,000 | 157,500 | 120,000 |
| Marketing and promotion | 26,841 | 92,630 | 79,894 | 253,655 |
| Filing and transfer agent | 19,611 | 19,863 | 69,577 | 61,556 |
| Travel | – | 13,582 | 9,625 | 28,340 |
| Other G&A | 32,259 | 65,306 | 141,002 | 189,272 |
| Total G&A | 535,933 | 845,716 | 1,734,998 | 2,093,958 |
| Recovery of legal fees from WPC | – | – | (187,000) | – |
| Stock-based compensation | – | 894,098 | – | 986,102 |
| Financial advisory services | 36,000 | – | 73,289 | – |
| Foreign exchange (gain) loss | (143,673) | (186,354) | (245,925) | 45,788 |
| Interest and finance charges | 4,790 | (13,667) | 29,480 | 9,451 |
| Net loss and comprehensive loss | 433,050 | 1,539,793 | 1,404,842 | 3,135,299 |

For the three months ended September 30, 2020, the Company recorded a loss of \$433,050 (Q3 2019: \$1,539,793) mostly as a result of the following.

Consulting fees of \$82,925 in Q3 2020 (Q3 2019: \$167,810) consisted of:

- financial and technical advisory services paid to various consultants of \$34,925 (Q3 2019: \$41,410)
- marketing and investor relations consultants of \$48,000 (Q3 2019: \$116,400)
- chief exploration geologist \$nil (Q3 2019: \$10,000) who departed in Q3 2019.

Professional fees (including legal, audit, accounting, and advisory) of \$150,488 in Q3 2020 (Q3 2019: \$244,014) consisted of \$88,312 (Q3 2019: \$122,626) in Canada and \$98,676 (Q3 2019: \$121,388) in Brazil.

Salaries and benefits of \$171,309 in Q3 2020 (Q3 2019: \$172,511) consisted of \$136,710 (Q3 2019: \$127,273) in Canada and \$34,599 (Q3 2019: \$45,238) in Brazil. Salaries in Canada relate to the CEO of \$75,000 (Q3 2019: \$75,000) and the CFO of \$50,000 (Q3 2019: \$50,000) plus government benefits. Salaries in Brazil declined due to the weakening of the Brazilian Real versus the Canadian dollar.

Directors' fees in Q3 2020 were \$52,500 (Q3 2019: \$70,000). Directors other than the CEO are compensated an annual fee of \$20,000, which was increased to \$35,000 per annum effective October 1, 2019. Five directors earned fees of \$5,000 each per quarter in 2019. In Q3 2020, there were six directors who each earned \$8,750 per quarter.

Marketing and promotion of \$26,841 in Q3 2020 (Q3 2019: \$92,630) declined due to less trade shows and travel mostly related to the Covid-19 restrictions.

Filing and transfer agent fees of \$19,611 in Q3 2020 (Q3 2019: \$19,863) remained stable compared to Q3 2019.

Other general and administrative expenses of \$32,259 in Q3 2020 (Q3 2019: \$65,306) include \$26,292 (Q3 2019: \$52,209) related to operations in Brazil, and \$5,967 (Q3 2019: \$13,297) related to operations in Canada.

Stock-based compensation of \$nil in Q3 2020 (Q3 2019: \$894,098). There were no stock options granted in Q3 2020.

Stock-based compensation of \$894,098 in Q3 2019 was due to the grant of 5,000,000 stock options of which 4,600,000 vested immediately with an expense of \$871,880. The remaining \$22,218 related to the amortization of 2,000,000 stock options granted in Q1 2018 that vest over a two year period.

The remaining 400,000 options granted in 2019 vest upon the receipt of the LI for which no expense was recognized.

The Company normally grants stock options following the conclusion of its annual general meeting. On October 1, 2020, 7,940,000 stock options were granted and stock-based compensation related to these options will be recorded in Q4 2020 and thereafter.

Financial advisory services expense of \$36,000 (Q3 2019: \$nil) relate to fees paid to Auramet International, which was engaged in Q4 2019 to help source construction financing for Mara Rosa.

Foreign exchange losses and gains relate to the Brazilian Departamento Nacional de Producao Mineral (ANM) liability for all periods and to the Western Potash Corporation (WPC) receivable to pay for this liability, recorded for the first time in Q2 2020.

Both items are recorded in Brazilian Reais. The continued decline in the value of the Brazilian Real relative to the Canadian dollar during the quarter accounted for a gain of \$44,893 on the ANM liability and a gain of \$11,834 on the WPC receivable.

The aggregate foreign exchange gain from these two items was \$56,727. This plus a foreign exchange gain of \$86,948 for general operations equals a total foreign exchange gain for the period of \$143,673.

About Amarillo

Amarillo Gold Corporation (www.amarillogold.com) is advancing two gold projects in Brazil. Both are in mining-friendly states and have excellent nearby infrastructure.

The development stage Posse Gold Project on its Mara Rosa Property in Goiás State has received the main permit that provides social and environmental permission for mining. Work is underway on receiving the installation permit.

The exploration stage Lavras do Sul Project in Rio Grande do Sul State has more than 22 prospects centered on historic gold workings.

Amarillo Gold Corporation trades on the TSXV under the symbol **AGC**, and on the OTCQB under the symbol **AGCBF**.

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Non-IFRS financial measures

The Company has included certain non-IFRS financial measures in this MD&A. These measures, which include AISC and AISC per ounce, are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. As a result, these measures may not be comparable to similar measures reported by other companies.

These measures used are intended to provide additional information and should not be considered in isolation or as a substitute for measures in accordance with IFRS. They are common to the gold mining industry and defined below.

AISC and AISC per ounce

AISC reflects all the expenditures that are required to produce an ounce of gold from operations. The AISC reported in the news release includes total cash cost, sustaining capital, and closure cost. AISC per ounce is calculated as AISC divided by payable gold ounces.

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.