



Amarillo reports second 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 six months ended June 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 – August 31, 2020 – Amarillo Gold Corporation (Amarillo or the Company) (TSXV: **AGC**, OTCQB: **AGCBF**) today announced its financial results for the six months ended June 30, 2020.

Amarillo **achieved** several key corporate **milestones** in the second quarter of 2020.

Completed the positive [definitive feasibility study for the Posse Gold Project](#)

- It supports an open pit mine and carbon-in-leach operation with dry stack tailings that has low capital and operating costs and a strong financing return.
- Mine life of 10 years with gold production of 102,000 ounces per year in the first four years, and average annual production of 84,000 ounces.
- After-tax net present value 5% of US\$183 million, internal rate of return of 25%, and all-in sustaining cost of US\$738 per ounce, based on US\$1,400 gold and foreign exchange rate of Brazilian Reais 4.2 to US\$1.

Project development at Mara Rosa

- *Permitting* – the [State of Goiás announced its formal support of the Posse Gold Project on May 26](#), and the [Water Use Permit](#) was issued by Brazil's National Water Agency subsequent to quarter end in July. The Deforestation Permit is expected shortly. The License to Install continues to undergo review, and the Company anticipates it will be issued this fall.
- *Land acquisition* – 762 hectares have been purchased or are under contract to purchase. Negotiations to purchase the remaining 339 hectares are continuing with landowners.
- *Exploration* – results from 3,000-metre drill program on northeastern extension of Posse Gold Deposit showed potential to find near-surface gold deposits along its Posse North Gold Trend.

Equity portion of construction financing successfully closed

- Successful \$57.2 equity offerings announced and [closed subsequent to Q2](#)
- Negotiations are in progress under direction of Auramet International, the Company's financial adviser, to finalize the balance of the construction financing for Posse.

"We achieved our goal of completing the feasibility study for our Posse Gold Project in the second quarter," said Mike Mutchler, Amarillo's Chief Executive Officer. "Our next goal is to secure the construction financing, and we successfully closed the equity portion of that financing subsequent to quarter end. We're continuing to work with Auramet on the debt portion and anticipate finalizing that before the end of the year."

"We're very fortunate that Covid-19 has not had a material impact on our operations, and our thoughts are with the many people in Brazil who are suffering from this pandemic."

Brazil has been hit hard by Covid-19. It had more than 3 million reported cases of the virus, however the number of new cases reported daily has started to decline.

On March 27, 2020, Brazil announced a temporary ban on foreign air travel. Most state governors have imposed quarantines to prevent the spread of the virus, and the State of Goiás, home to Mara Rosa, imposed a set of restrictions on non-essential businesses (including mining) that were in effect until April 4, 2020.

Amarillo has followed the guidelines set by the local governments and health authorities where it operates. Its management team and employees in Toronto, Canada, and Belo Horizonte, Brazil, have been working from home since mid-March, and the Company has continued to operate effectively while working remotely. It has also instituted a series of operational and monitoring protocols to ensure the health and safety of its employees, who are closely monitored in the event of a Covid-19 outbreak.

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, and financial performance.

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 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 second quarter of 2020 and 2019 (Q2 2020 and Q2 2019) and for the six months ended June 30, 2020 and 2019.

	Three months ended		Six months ended	
	2020	2019	2020	2019
	\$	\$	\$	\$
General and administrative (G&A)				
Consulting	66,751	57,571	127,466	115,471
Professional	186,988	224,908	391,398	387,332
Salaries/benefits and management fees	168,305	176,351	353,811	353,998
Directors' fees	52,500	25,000	105,000	50,000
Marketing and promotion	20,595	90,743	53,054	161,026
Filing and transfer agent	22,116	30,638	49,966	41,693
Travel	-	7,052	9,625	14,757
Other G&A	38,204	50,081	108,743	123,965
Total G&A	555,459	662,344	1,199,063	1,248,242
Recovery of legal fees from WPC	(187,000)	-	(187,000)	-
Stock-based compensation	-	43,893	-	92,004
Financial advisory services	-	-	37,289	-
Foreign exchange (gain) loss	64,060	248,006	(102,251)	232,142
Interest and finance charges	3,142	21,395	24,691	23,118
Net loss and comprehensive loss	435,661	975,638	971,792	1,595,506

For the three months ended June 30, 2020, the Company recorded a loss of \$435,661 (Q2 2019: \$975,638) mostly as a result of the following.

Consulting fees of \$66,751 in Q2 2020 (Q2 2019: \$57,571) consisted of financial and technical advisory services paid to various consultants, marketing and investor relations consultants, and fees in Brazil.

Professional fees (including legal, audit, accounting and advisory) of \$186,988 in Q2 2020 (Q2 2019: \$224,908) consisted of \$88,312 (Q2 2019: \$123,850) in Canada and \$98,676 (Q2 2019: \$101,058) in Brazil.

Salaries/benefits of \$168,305 in Q2 2020 (Q2 2019: \$176,351) consisted of \$131,390 (Q2 2019: \$125,313) in Canada and \$36,915 (Q2 2019: \$51,038) in Brazil. Salaries in Brazil declined due to the weakening of the Brazilian real versus the Canadian dollar.

Marketing and promotion of \$20,595 in Q2 2020 (Q2 2019: \$90,743) declined due to less trade shows and travel mostly related to the Covid-19 restrictions.

Filing and transfer agent fees of \$22,116 in Q2 2020 (Q2 2019: \$30,638) decreased due to reduced shareholders' requests for transfer agent services.

Other general and administrative expenses of \$38,204 in Q2 2020 (Q2 2019: \$50,081) include \$24,073 (Q2 2019: \$44,329) related to operations in Brazil, and \$14,131 (Q2 2019: \$5,752) related to operations in Canada.

Recovery of legal fees from WPC of \$187,000 (Q2 2019: \$nil) relate to the settlement with WPC, which agreed to pay the costs awarded by the Supreme Court of British Columbia. On January 8, 2020, the Supreme Court of British Columbia rendered judgment in favour of the Company with respect to the Petition filed by WPC and two related applications. The court awarded ordinary costs of the proceedings to May 10, 2019, and special costs after that date.

Stock-based compensation of \$nil in Q2 2020 (Q2 2019: \$43,893). There were no stock options granted in Q2 2020. The Q2 2019 stock compensation relates to unvested options granted in 2018.

Foreign exchange losses and gains relate to the ANM liability for all periods and to the WPC receivable recorded for the first time in Q2 2020. Both items are recorded in Brazilian reais. The decline in the value of the Brazilian real relative to the Canadian dollar in Q2 2020 accounted for a gain of \$91,098 relating to the ANM liability.

This decline in value of the Brazilian real had the reverse effect on the WPC receivable, which recorded a loss of \$173,552. The aggregate net foreign exchange loss relating to these two items was \$82,454. This was offset by foreign exchange loss of \$18,007 relating to general operations for a net overall foreign exchange gain of \$102,251.

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**.

For further information, please contact

Mike Mutchler

President & CEO

416-294-0736

mike.mutchler@amarillogold.com

Annemarie Brissenden

Investor Relations

416-844-6284

annemarie.brissenden@amarillogold.com

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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.