

A year of exploration and development success for Amarillo

This news release should be read in conjunction with our consolidated financial statements and management's discussion and analysis for the year ended December 31, 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 – FEBRUARY 25, 2022 – Several major milestones were achieved in 2021, reported Amarillo Gold Corporation (TSXV: AGC, OTCQB: AGCBF) today as it announced its results for the year ended December 31, 2021.

“We had a good year,” said Mike Mutchler, Amarillo’s Chief Executive Officer. “We continued to develop the Posse Gold Project, which attracted the attention of Hochschild Mining, a leading precious metals Company. As we said late last year when we announced Hochschild’s proposed acquisition of Amarillo, we believe Hochschild is the right company to bring Posse into production, and we’re looking forward to applying the same disciplined approach to our Lavras do Sul property, through Lavras Gold Corp.”

The advancements at Amarillo’s flagship Posse Gold Project in 2021 included receiving the License to Install for the Posse Gold Mine and the Posse power line, acquiring almost 100% of the land needed to build the mine, and completing more than 75% of the overall project detailed engineering.

A second new primary gold deposit was also discovered at Mara Rosa, the property that hosts the Posse Gold Deposit. Located 3.5 kilometres northeast of the Posse Gold Deposit, Pastinho is a near-surface tabular shaped deposit striking 1,700 metres in a northeast-southwest direction that dips approximately 60 degrees northwest. Assay results received in October confirmed the continuity and down dip extensions of Pastinho, which is at least 200 metres deep.

Pastinho confirmed that there is more to find at Mara Rosa. It is expected to develop into another source of future ore feed for the Posse mill that could extend Posse’s overall mine life and significantly increase the mine’s average annual gold production, thus enhancing the project’s overall economics.

This exploration and development success culminated in a proposed transformational transaction: the acquisition of Amarillo Gold Corporation by Hochschild Mining PLC. Under the agreement announced on November 29, Hochschild will acquire all the outstanding shares of Amarillo by way of a plan of arrangement under the *Business Corporations Act* (British Columbia).

Each share of Amarillo will be exchanged for cash consideration of C\$0.40 and one share of a new Brazil-focused exploration company, Lavras Gold Corp. Lavras SpinCo will be capitalized with C\$10 million cash and will hold all assets and rights with respect to the Lavras do Sul gold project located in southern Brazil in the state of Rio Grande do Sul.

The cash consideration (not including the value of the Lavras SpinCo shares) represents a premium of 66% over the 20-trading day volume weighted average trading price of the Amarillo shares on the TSX Venture Exchange of C\$0.24 at the time of the announcement. The total transaction value is approximately C\$164.5 million, excluding Lavras SpinCo’s asset value and C\$10 million of cash. It is anticipated that Lavras SpinCo will complete a share consolidation immediately following the completion of the Arrangement.

It's believed that this acquisition realizes the Company's vision of developing Posse into a gold producing mine in a way that:

- delivers value to shareholders
- honours the Company's commitment to the community where it operates
- gives shareholders the opportunity to participate directly in the potential of the Lavras do Sul Gold Project in Brazil.

That highly prospective Lavras do Sul Project will form the basis of Lavras SpinCo.

Lavras hosts 23 targets across 22,000 hectares located in southern Brazil in Rio Grande do Sul state. In 2021, Amarillo consolidated its land position there, and launched a successful exploration program. Drilling was focused on a significant gold-hosting structural zone at Matilde, one of the 23 targets, and completing an NI 43-101 resource for Butiá, a second target, which was filed after year end.

Amarillo has been very fortunate with respect to Covid-19 in 2021. A few of employees in Brazil tested positive for the virus, but all recovered. The Company has had full access to its properties and consultants were 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.

The Company continues to follow the guidelines set by health authorities where it operates, as well as its own operational and monitoring protocols. Amarillo's personnel are all fully vaccinated. Though it is hard to predict how Covid-19 will impact the Company's exploration and development activities, it's believed any delays will be minimal, though the pandemic's potential impact will continue to be monitored.

At the corporate level, Paulo Serpa, an accomplished mining engineer from Brazil, succeeded Arão Portugal as Country Manager for Amarillo's Brazilian subsidiaries at the start of the fourth quarter. Mr. Portugal, however, remains active with the Company, serving as special adviser to the CEO.

Cash on hand at the end of the year was \$26 million. Mara Rosa expenditures increased by \$2.9 million in Q4 due to \$2.2 million continued spending on geotechnical and process plant engineering. Lavras Project costs increased by \$1.2 million mostly due to drilling and assay costs, which increased by \$0.7 million as drilling continued at the Matilde and Cerrito prospects. Other major expenses in the quarter related to fees associated with the Hochschild transaction.

ABOUT AMARILLO

Amarillo Gold Corporation is a Canadian company focused on exploring and developing two gold projects in Brazil: the exploration stage Lavras do Sul Project in Rio Grande do Sul State and the development stage Posse Gold Project on the Mara Rosa Property in Goiás State.

Amarillo trades on the TSXV under the symbol AGC and the OTCQB under the symbol AGCBF. Follow Amarillo on [LinkedIn](#), [Twitter](#), [YouTube](#), and at www.amarillogold.com

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FORWARD-LOOKING STATEMENTS AND CAUTIONARY LANGUAGE

Certain information provided in this news release constitutes forward-looking statements. Specifically, this news release contains forward-looking statements relating to: (i) the anticipated timing of the Amarillo shareholder meeting to approve the Arrangement, (ii) the anticipated timing of the closing of the Arrangement, (iii) the exploration and development prospects of Lavras SpinCo, and (iv) planned exploration and development activities of Lavras SpinCo.

The forward-looking statements are based on certain key expectations and assumptions. With respect to the anticipated timing of the Amarillo shareholder meeting, these include expectations and assumptions concerning the time required to convene the meeting and complete and mail the related information circular. With respect to the anticipated timing of the closing of the Arrangement, these include expectations and assumptions with respect to the timely receipt of all required court, shareholder and regulatory approvals and the satisfaction of all other conditions to the closing of the Arrangement. With respect to the remaining forward-looking statements, these include expectations and assumptions concerning the availability of capital, the success of future drilling and development activities, Lavras SpinCo's contractual rights, prevailing commodity prices and economic conditions, the availability of labour and services, the ability to transport and market production, timing of completion of infrastructure and transportation projects, weather and access to drilling locations.

Although Amarillo believes that the expectations and assumptions on which the forward-looking statements are based are reasonable at the time of preparation, undue reliance should not be placed on the forward-looking statements as Amarillo can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. With respect to the timing of the completion of the Arrangement, these include risks that the required court, shareholder and regulatory approvals are not obtained on a timely basis, on terms acceptable to the parties or at all and risks that other conditions to the completion of the Arrangement are not satisfied. There is no guarantee that the Arrangement will close at the anticipated time or at all. With respect to the exploration and development prospects of Lavras SpinCo, the planned exploration and development activities of Lavras SpinCo and such factors and risks include, but are not limited to: general economic, market and business conditions; fluctuations in commodity prices; the test results and performance of exploration and development drilling, fluctuation in foreign currency exchange rates; the uncertainty of historic resource estimates and estimates of the value of undeveloped land; changes in environmental and other regulations; risks associated with mineral operations; and other factors, many of which are beyond the control of Amarillo. These and other risks are described further in Amarillo's most recently filed management discussion and analysis and its annual information form for the year ended December 31, 2020, which have been filed on SEDAR and may be reviewed under Amarillo's profile at www.sedar.com.

All mineral reserves and mineral resources for Amarillo have been estimated in accordance with the standards of the CIM and NI 43-101. All mineral resources are reported exclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Information on data verification performed on the mineral properties of Amarillo contained in or incorporated by reference in this news release that are considered to be material mineral properties to Amarillo are contained in Amarillo's most recently filed management discussion and analysis for the nine months ended September 30, 2021, and the current technical report for the property is filed by Amarillo under its profile on SEDAR at www.sedar.com.

The forward-looking statements contained in this news release are made as of the date hereof. Except as may be required by applicable securities laws, Amarillo assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise.

This news release shall not constitute an offer to sell or a solicitation of an offer to buy any securities and shall not constitute an offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities to be distributed pursuant to the Arrangement have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The securities to be distributed pursuant to the Arrangement will be offered and sold in the United States pursuant to the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act and similar exemptions under applicable state securities laws.