

A YEAR OF PROGRESS AS AMARILLO MEETS KEY MILESTONES FOR POSSE GOLD PROJECT IN 2020

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, 2020. 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 26, 2021 – Amarillo Gold Corporation (TSXV: AGC, OTCQB: AGCBF) continued to move toward its goal of becoming a Brazilian gold producer, said the Company today as it announced its financial results for the year and three months ended December 31, 2020. Key achievements included delivering a positive feasibility study, closing a large equity financing, and, crucially, receiving the License to Install for the Posse Gold Project after year end.

“I would like to thank our dedicated team for their efforts in securing the License to Install and further advancing the project,” said Mike Mutchler, Amarillo’s Chief Executive Officer. “We’ve met the significant milestones that we needed to meet, and have begun to prepare to break ground on Posse as soon as we finalize the balance of our construction financing.”

At the Company’s Mara Rosa Property in the State of Goiás, the main focus was on advancing the Posse Gold Project. After publishing the feasibility study in August 2020, detailed engineering began on the processing plant, infrastructure, and earthworks areas. Orders have been placed for select long lead time equipment, and negotiations have been advanced to purchase mill and filtration plant equipment. Amarillo also signed an agreement to build a 138 kilovolt transmission line from Porangatu to Mara Rosa.

The exploration program along the Posse Trend, aimed at finding satellite gold deposits that could increase Posse’s mine life, was also successful. Trenching results showed gold anomalies up to 8 kilometres northeast of Posse, and an induced polarization survey was completed in the fourth quarter.

Amarillo secured a large equity stake for a portion of its construction financing for Posse after closing \$57.2 million in equity offerings in August. The Company is working on securing the balance under the guidance of Auramet International, its financial adviser. Technical due diligence is ongoing with the goal of attaining successful financing.

At Lavras do Sul, the focus was on starting to unlock the district scale potential of this highly prospective property and open a second development front. The Company has identified 22 targets and are following up on the Butia and Matilde targets.

At the corporate level, Antenor Silva and David Laing, two mine builders with experience in Brazil, joined the board of directors.

Mr. Silva co-founded Yamana Gold, where he was Chief Operating Officer, then President and Chief Operating Officer until his retirement in 2009. He was also a co-founder of MBAC Fertilizer Corp, and served as its Chief Executive Officer until July 2016. He has sat on the boards of several public companies, including Yamana Gold, Colossus Minerals, Oceana Gold, and Valdiam Resources.

David Laing is a mining executive with 40 years of experience in mining operations, mine construction, mining finance, corporate development, and company building. He was most recently the Chief Operating Officer of Equinox Gold, where he led the rebuilding of the Aurizona Project in Brazil, a feasibility study on the restart of the Castle Mountain Mine in California, and the acquisition of the Mesquite Gold mine, also in California. He sits on the boards of Fortuna Silver Mines, Inc., Northern Dynasty Minerals Inc., Aton Resources, and Blackrock Gold Corp.

While Brazil has been hit hard by Covid-19, the Company has been very fortunate. Neither of its operations have been affected by the pandemic, and the Company has full access to its properties. In Canada, Amarillo's Toronto-based management team has been working from home since mid March 2020. So far, Covid-19 has not had a material impact on the Company's financial condition or its performance.

FINANCIAL RESULTS

The following table summarizes the Company's major operating expense categories for the fourth quarter of 2020 (Q4 2020) and 2019 (Q4 2019) and for the years ended December 31, 2020 and 2019.

	Three months ended		Years ended	
	December 31		December 31	
	2020	2019	2020	2019
	\$	\$	\$	\$
General and administrative (G&A)				
Consulting	160,831	40,153	371,223	323,434
Professional	171,401	224,921	713,288	856,267
Salaries and benefits	142,401	172,478	667,522	698,986
Directors' fees	50,156	52,500	207,656	172,500
Marketing and promotion	27,522	60,852	107,417	314,507
Filing and transfer agent	66,327	16,953	135,904	78,509
Travel	63	12,964	9,688	41,304
Other G&A	53,606	71,013	194,610	260,285
Total G&A	672,307	651,834	2,407,308	2,745,792
Recovery of legal fees from WPC	-	-	(187,000)	-
Stock-based compensation	1,342,867	18,168	1,342,867	1,004,270
Financial advisory services	467,676	36,000	540,965	36,000
Foreign exchange loss/(gain)	50,641	107,701	(195,284)	153,489
Interest income	(50,295)	-	(50,295)	-
Interest and finance charges	(18,204)	111,590	11,273	121,041
Gain on debt settlement	-	(5,417)	-	(5,417)
Net loss and comprehensive loss	2,464,992	919,876	3,869,834	4,055,175

For the year ended December 31, 2020, Amarillo recorded a loss of \$3,869,834 (2019: \$4,055,175) mostly as a result of the following.

Consulting fees of \$371,223 in 2020 (2019: \$323,434) consisted of:

- financial and technical advisory services paid to various consultants of \$211,441 (2019: \$72,881)
- marketing and investor relations consultants of \$149,806 (2019: \$182,400)
- chief exploration geologist \$nil (2019: \$81,970) who departed in Q3 2019
- fees in Brazil of \$9,976 (2019: \$3,148).

Professional fees (including legal, audit, accounting and advisory) of \$713,288 in 2020 (2019: \$856,267) consisted of \$251,669 (2019: \$392,925) in Canada and \$461,619 (2019: \$463,342) in Brazil.

Salaries and benefits of \$667,522 in 2020 (2019: \$698,986) consisted of \$542,707 (2019: \$521,656) in Canada and \$124,815 (2019: \$177,330) in Brazil. Salaries in Canada relate to the CEO of \$300,000 (2019: \$300,000) and the CFO of \$200,000 (2019: \$200,000) plus government benefits. Salaries in Brazil declined due to the weakening of the Brazilian real versus the Canadian dollar.

Directors' fees in 2020 were \$207,656 (2019: \$172,500). Directors other than the CEO are compensated an annual fee of \$35,000, which was increased from \$20,000 per annum effective October 1, 2019. Five directors earned fees of \$5,000 each per quarter in 2019 plus an additional \$72,000 for one of the directors. In 2020, there were six directors who each earned \$8,750 per quarter.

Marketing and promotion of \$107,417 in 2020 (2019: \$314,507) declined due to less trade shows and travel mostly related to the Covid-19 restrictions.

Filing and transfer agent fees of \$135,904 in 2020 (2019: \$78,509) increased in 2020 compared to 2019 due to the increase in shares as a result of the August 2020 issuance of shares.

Other general and administrative expenses of \$194,610 in 2020 (2019: \$260,285) include \$123,236 (2019: \$215,569) related to operations in Brazil, and \$71,374 (2019: \$44,716) related to operations in Canada. Brazil expenses declined due to the weakening of the Brazilian real versus the Canadian dollar. Canadian expenses increased due to an increase in website, communications, and data room maintenance.

Stock-based compensation of \$1,342,867 (2019: \$1,004,270) related to:

- an expense of \$1,070,960 (2019: \$871,880) from 4,400,000 (2019: 4,600,000) stock option grants that vested immediately out of a granted total of 7,930,000 (2019: 5,000,000).
- the remaining 3,530,000 options granted in 2020 vest over a three-year period with an amortized expense of \$271,907. The additional expense of \$132,390 in 2019 resulted from the amortization of 2,000,000 stock options granted in Q1 2018 that vest over a two-year period.

Financial advisory fees of \$540,965 (2019: \$36,000) related to fees paid for financial advisory services in search of construction financing for the Posse Project. Fees were paid in 2019 and 2020, as Amarillo continued to retain the financial advisor. In addition, after attracting an interested lender, the Company incurred additional fees for technical due diligence and independent technical engineering oversight. Amarillo also incurred fees related to starting a project execution plan in anticipation of successfully completing the construction financing and breaking ground once a construction decision is made.

Foreign exchange losses and gains relate mostly to the ANM liability for all periods and to the WPC receivable to pay for this liability, which was recorded for the first time in Q2 2020. Both items are recorded in Brazilian reais.

Interest income of \$50,295 (2019: \$nil) is due to cash on hand following the August 2020 financing that raised net cash of \$55.1 million. Cash on hand at December 31, 2020 was \$52.4 million, most of which is invested in short term savings and investment accounts awaiting deployment for constructing Posse, exploration, and general corporate purposes.

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 22 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.

CONTACT INFORMATION

Mike Mutchler

President & CEO

416-294-0736

mike.mutchler@amarillogold.com

Annemarie Brissenden

Investor Relations

416-844-6284

annemarie.brissenden@amarillogold.com

NOTES

Neither the TSX Venture Exchange nor its Regulation Services Provider (as defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of the content of this news release.

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.