

FORM 51 – 102F1

Amarillo Gold Corporation

ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS for the year ended December 31st , 2004

Date: April 30, 2004

Forward Looking Information

This annual Management discussion and Analysis (“Annual MD&A”) contains certain forward-looking statements and information relating to Amarillo Gold Corp. (“Amarillo” or the “Company”) that are based on the beliefs of its management as well as assumptions made by the information currently available to Amarillo. When used in this document, the words, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions, that relate to Amarillo or its management, are statements relating to, amongst other things, regulatory compliance, the sufficiency of working capital, the estimated cost and availability of funding, for the continued exploration and development of Amarillo with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance and achievements of Amarillo to be materially different from any future results, performance or achievements that may be expressly implied by such forward looking statements. Important factors are identified in this annual MD& A.

Overall Performance

Amarillo Gold Corporation, is a reporting issuer in British Columbia and Alberta and trades on the NEX board of the TSX Venture Exchange under the symbol AGC.H. Application has been made to move the Company to Tier II of the TSX Venture Exchange. The Company is a development stage company engaged in the acquisition and exploration of mineral properties with a focus on gold properties in Brazil. In October of 2003, the Company entered into an agreement with De Re Holdings Inc., an arm’s length party, to acquire all of the shares of Metallica Brasil Ltda. in consideration of the payment of US\$450,000. The main asset of Metallica Brasil Ltda. is the Mara Rosa Property in Brazil. The purchase price has been paid largely by utilizing loans from directors and shareholders. The acquisition of the property triggered a Reverse Take Over (“RTO”) situation, therefore the Company is prohibited by the policies of the Exchange from completing the acquisition until it has received both shareholder and Exchange acceptance. Shareholders of the Company will be asked to vote on the acquisition at the Company’s upcoming annual and special general meeting scheduled for June 15, 2005. If the vote is positive, and given Exchange acceptance, the Company will move to Tier II of the TSX Venture Exchange. If the vote is negative the Company will arrange for the sale of the Mara Rosa asset.

On May 25, 2004 as part of the RTO procedure, trading in the shares of the Company was halted by the NEX in order that the Company could file a comprehensive news release and file initial documents. The trading halt was removed in August of 2004 as the Company progressed through the process. Amarillo’s main focus in 2004 has been to complete the RTO procedure, obtain shareholder approval and complete the Mara Rosa acquisition.

In March of 2004 the Company entered an option with Phelps Dodge Do Brasil Mineração LTDA. (“Phelps Dodge”) on Phelps Dodge’s San Antonio property in the Goiás State, Brazil. The Company has commenced a drill program on the property

The Company relinquished its non-Brazilian property interests.

There were a number of changes to the board. Nelson Fry resigned as President and CEO and was replaced by Buddy Doyle. Patrick Power signed on as a non-executive Director. Martin Walter (CFO) and Bruce Bragnolo remained as members of the board.

On February 19th, 2004, Amarillo completed a private placement (“Feb PP”) consisting of 3,300,000 units at \$0.10 per unit for total proceeds of \$330,000. Each unit consisted of one common share and one common share purchase warrant, (“warrant”). Each warrant entitled the holder to purchase one common share for a price of \$0.20 per unit until January 15th 2005. 2,125,000 warrants were exercised up to January 15, 2005 for proceeds of \$425,000.

A second private placement was announced in March of 2004 (“March PP”) consisting of 1,025,000 units consisting of one share and one share purchase warrant at \$0.20 per unit, for proceeds of \$205,000. This placement was completed in March of 2005.

Selected Annual Information

The following information is derived from the consolidated financial statements of the Company for each of the three years ended December 31, 2004, 2003 and 2002.

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
Total Revenues - Interest Income	nil	\$64	\$81
Net income (Loss) per share, basic and fully diluted	(0.05)	(0.03)	(0.05)
Total Assets	\$736,836	\$437,582	\$176,949
Long Term Liabilities	Nil	Nil	\$22,000
Cash dividends declared	Nil	Nil	Nil
Number of securities outstanding	15,108,133	10,743,133	7,721,130

Results of Operations

On October 21, 2003, the Company entered into an agreement (the “Acquisition Agreement”) with De Re Holdings Inc. (the “Vendor”), an arm’s length party to the Company, for the purchase of all of the issued and outstanding shares of Metallica Brasil Limitada (“Metallica Brazil”), a wholly owned subsidiary of the Vendor. The primary asset of Metallica Brazil is the Mara Rosa Gold project located in Goiás State in central Brazil (the “Mara Rosa Project”).

Under the terms of the Acquisition Agreement, the Company has paid the Vendor US\$450,000 and completed the payment for the shares of Metallica Brazil. Underlying interests on the Mara Rosa Project include two separate 1% net smelter return royalties to Newmont Mining Corporation and to BHP/Billiton respectively. Amarillo arranged for the finalization of the purchase and will own the project 100% at the completion of the RTO process, given Exchange and shareholder approval.

The Mara Rosa Project is the subject of an independent technical report prepared by Mr. B. Terrence Hennessey, of Micon International Limited, entitled “A Review of the Mara Rosa Gold Project, Goiás State, Brazil” (the “Technical Report”) and dated December, 2003. The Technical Report was prepared in accordance with National Instrument 43-101 and is available for inspection upon request at the Company’s operations office or it can be viewed on the SEDAR website (www.sedar.com) under the Company’s public documents section. The document was filed on SEDAR on January 13th 2004.

An historic resource estimate exists for the Posse Deposit, the key asset of the Mara Rosa project. In 1997 Metallica Brazil made a resource prepared prior to the implementation of National Instrument 43-101, section 2.4. This historical resource estimate is therefore not compliant with National Instrument 43-101 and is presented only to show that there is significant gold mineralization on the property and to demonstrate why the management of Amarillo is interested in the project.

Metallica Brazil estimated a mineral resource for the Posse south lode within the Mara Rosa project after re-logging approximately 8100m of core and remapping exposures in the pit. Shallow reverse circulation and blast holes from the pit were also used. The estimate was performed using ordinary kriging and a 10.0 g/t top cut and were reported at a 1.0g/t Au cut off grade, down to 300m below surface. Datamine was the software used for the estimate. The resulting Posse mineral resource is presented in the table below. Metallica Brazil did not state which reporting code they used, however they do mention they followed, “industry standards” at the time. The resource estimate is considered still relevant today, the deposit has sat idle, but since the estimate was made, there has been a significant increase in the gold price and a devaluation of the Brazilian Real.

Category	Tonnes (Thousands)	Grade (Au,g/t)	Contained Gold (ounces)
Measured	6,385	1.81	372,300
Indicated	4,948	1.67	265,700
Inferred	1,417	1.94	88,500

The estimates, while prepared prior to the implementation of NI 43-101, are considered reliable since they were reported by a consultant independent of Metallica Brazil and Amarillo, Pedro Gusman of PGV Consultores in Chile. In 1996-1997 the same consultant acting for Barrick Minerals estimated a resource of 15.468 million tonnes @ 1.47 g/t containing 730,342 oz of gold using a 1 g/t cutoff. Barrick commissioned the resource estimate while carrying out its due diligence when evaluating the property. It is considered encouraging that the Barrick estimate is similar to the Metallica Brazil estimate. The Metallica estimate was more constrained by due diligence work.

In December 2003 Amarillo was the successful bidder on the Mara Rosa property. Representatives of Amarillo have visited the Posse deposit as had the independent author of the 43-101 technical report filed by Amarillo. During the visits the extensive records, core library and maps were briefly reviewed. Given that several reputable companies including, BHP/Billiton, Western Mining, Barrick and Metallica, had each independently conducted work on the deposit there was every reason to accept the reliability and quality of such work.

Amarillo intends to implement an independent review of this historic resource estimate in the future with the view of re-stating this resource in the 43-101 framework. It is possible that the resource estimate given after this review will differ by some amount up or down from the historic Metallica Brazil estimate. Various parameters, such as how geologists interpret the geology, and choices made while performing the statistical analysis of the gold assay result in variations in the precision of any resource estimate. The result however, should be globally similar as long as the same methodology is adhered to.

The acquisition of the Mara Rosa project triggered an RTO, and the Company's main focus during 2004 has been to work through the RTO process.

In March of 2004, the Company entered into an option with Phelps Dodge Do Brasil Mineração LTDA. ("Phelps Dodge") on Phelps Dodge's San Antonio property in the Goias State, Brazil. The property consists of 1931 Ha of exploration permits within which there are gold and copper stream, soil and rock-chip anomalies hosted in carbonates in a promising structural setting 1km by 3km in area. This area was in the past worked by garimpeiros, who left behind shallow trenches and shafts as evidence of their activities. Rock chips from these workings have returned values of up to 22m of 8.80 g/t Au, and 5m of 11.7 g/t with up to 1.23% Cu and 115g/t Ag. Within the 20000 hectare exploration package that is part of the option there are at least three other garimpo gold workings that will bare a geological review. The option agreement calls for a US\$5,000 payment and a minimum of 400m of drilling within 12 months. The Company can earn a 50% interest in the property if it completes 1000m of drilling during the first year of the option and expends US\$250,000 during the second year of the option. The Company can earn a 70% interest by spending US\$250,000 on exploration in year three. It will acquire a 100% interest by spending US\$250,000 in the fourth and fifth years and presenting a bankable feasibility study by the end of the sixth year. Phelps Dodge then will retain a 2% NSR.

Due to the financing limit of \$350,000 per annum imposed on NEX companies, the Company has been limited in its ability to raise money. In order to complete the acquisition of the Mara Rosa property and keep the Company operational, Amarillo has received loans in the amount of \$214,644 from directors, shareholders and companies owned by Directors as needed during the year. These loans are due on demand and interest of 10% per annum is due to the lenders.

The Company as of December 31st 2004 had assets totaling \$736,876, an increase of \$299,294 over 2003. The main asset is the advances to De Re Holdings Ltd. for the shares of Metallica Brasil Ltda. which amounted to CDN\$597,074. The next major asset is cash on hand. As of the fiscal year end Amarillo had cash of \$100,957, an increase from the cash position at the end of 2003 of \$18,357. Cash was provided by the Feb PP, exercise of warrants, the Mar PP and the exercise of options. These activities resulted in cash proceeds of \$494,756. This compares to the \$280,000 raised in a similar way in 2003. A total of \$12,536 of assets was related to expenditures made on the San Antonio property, and the rest of the assets consist of prepaid deposits and GST receivables.

The current liabilities as of December 31st 2004, total \$606,045, most of these are related to loans, property maintenance costs and the costs of completing the RTO process. This is an increase of \$361,425 over 2003.

The net loss for 2004 was \$743,787 and increase over \$284,142 in 2003. The increase is due mainly to the acquisition costs regarding the purchase of the shares of Metallica Brasil Ltda. and

the cost of the RTO procedure. Property acquisition costs for properties that were relinquished in 2004 were expensed, in particular the Otish Mountain option which resulted in a writeoff of \$109,815. Company management elected to allow this option to lapse given the limited resources available during an RTO and due to its focus on Brazil.

Summary of Quarterly Results

The following tables present our unaudited quarterly results of operations for each of the last eight quarters.

Net Loss by Quarter

2004	Q-1	Q-2	Q-3	Q-4
Net loss excluding write-down	92,466	56,434	96,296	388,776
Write-down of assets	-	-	-	109,815
Net Loss	92,466	56,434	96,296	498,591
Loss Per Share	.001	0.00	0.01	0.03
2003	Q-1	Q-2	Q-3	Q-4
Net loss excluding write-down	31,012	36,351	22,536	90,794
Write-down of assets	-	89,942	16,805	3,086
Net Loss	31,012	119,909	39,341	93,880
Loss Per Share	.00	.01	.00	.01

Liquidity and Solvency

At December 31st, 2004 the Company had negative working capital of \$478,779. The Company proposes to complete a financing of a minimum of \$1,200,000 in conjunction with the conclusion of the RTO to provide it with sufficient working capital to meet the listing requirements of Tier II of the TSX Venture Exchange and to raise a minimum of \$200,000 for exploration of the Mara Rosa property.

During 2004, the Company's activities have consisted mainly of raising funds to complete the acquisition of the Mara Rosa property and to pay for the costs of the move to Tier II of the TSX Venture Exchange. It is anticipated that general and administrative costs will increase slightly in fiscal 2005 to reflect the anticipated increased exploration activity of the Company.

Outstanding Share Data

The Company has unlimited authorized share capital. As of December 31st 2004 the Company had 15,108,103 shares outstanding.

As of December 31st 2004, the following options and share purchase warrants are outstanding.

2004		2003	
Warrants outstanding	Exercise Price	Warrants outstanding	Exercise Price

2,825,000	\$0.20	440,000	\$0.10
Options outstanding	Weighted Exercise price	Options outstanding	Weighted Exercise price
1,540,000	\$0.17	Nil	Nil

Capital Resources

During fiscal 2004, \$494,756 of subscriptions were received towards new equity financing. Loans payable of \$214,644 were utilized to provide working capital and complete the acquisition of the Mara Rosa property.

The Company's ability to continue as a going concern in the short term is dependant upon its ability to obtain financing whether by issuance of share capital or through joint venture or from disposition of its mineral interests. Although the Company has successfully financed in the past and thinks it is reasonable to assume it can do so again in the future. However, the future can not be known and financing might not be obtainable at favorable terms. Failure to obtain additional financing in the future will result in delay or permanent postponement of future exploration on our Mara Rosa and San Antonio projects.

The Company's financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Management believes that actions can be taken or planned that will mitigate adverse conditions that may prevent operation as a going concern.

Off – Balance Sheet Arrangements

There were no off balance sheet arrangements.

Transactions with Related Parties

The board of directors, consisted of:

- Mr. Buddy Doyle, President & CEO
- Mr. Martin Walter, Chief Financial Officer and Secretary
- Mr. Bruce Bragagnolo, Director
- Mr. Pat Power, Director

Ms. Sally Friesen and Mr Nelson Fry resigned during the year. The administrative services contract with Titan Capital Corp., a company controlled by the former president of the Company was cancelled. On July 30th Duguay and Ringler Corporate Services were awarded a contract to conduct the company book keeping.

During the fiscal year, the Company accrued legal fees of \$110,000 and disbursements of \$9,000 with a company controlled by a director, \$64,600 in consulting fees to corporations controlled by a director and \$13,077 in general and administrative expenses with a corporation controlled by a director. In addition, directors or corporations controlled by directors loaned a total of \$71,303 to the Company. These loans accrue interest at the rate of 10% per annum and at the fiscal year end a total of \$4,640 in interest was outstanding.

The Company also obtained \$143,344 (US\$99,207) of funds from a shareholder by way of a convertible promissory note. The loan bears a one-time bonus of 20%. \$26,439 has been accrued

as the bonus payment. The note is convertible at the option of the holder at the price of the next financing of the Company, which at the present time is \$0.25 per unit.

Proposed Transactions

The Company proposes to enter into agreements to acquire additional natural resource properties once it has graduated to Tier II of the Exchange.

Critical Accounting Estimates

The Company has no critical accounting estimates.

Changes in Accounting Policies Including Initial Adoption

In October of 2003, the Canadian Institute of Chartered Accountants (“CICA”) amended Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This amended sections requires recognition of stock-based expenses for all employee stock-based compensation transactions.

As required by the CICA, effective January 1, 2004, the Company adopted retroactively the new accounting policy in regard to stock-based compensation for awards granted to employees on or after January 1, 2002. This change in accounting policy increased the deficit and share capital by \$25,687 for stock options granted to directors and officers of the Company in 2002. There were no options granted in 2003.

Investor Relations Activities

The Company did not incur investor relation costs during the year.

Other material events

The Company also entered into a Sponsorship Agreement dated April 23, 2004, between the Company and Canaccord Capital Corporation (the “Sponsor”) by which the Company will pay the Sponsor the sum of \$25,000 plus GST and costs and disbursements to act as the Company’s sponsor with respect to the Reverse Takeover as contemplated herein. The fee will increase to \$40,000 in the event the Sponsor is required to certify the Information Circular or other disclosure document. In addition the Company has agreed to issue to the Sponsor a warrant to purchase 100,000 shares of the Company for a period of eighteen months from the date of issuance at a price of \$0.30 per share. The Company has paid \$30,000 to date under the Sponsorship Agreement.

The Company is currently an NEX issuer, a board of the TSX Venture Exchange. NEX is a forum where issuers without an active business or issuers in the process of reactivating are able to trade their shares. Management has determined, subject to shareholder and regulatory approval, to complete certain transactions in order to become an exploration and mining company satisfying the Exchange’s Tier II minimum listing requirements and thereby taking the Company off the NEX board. The transactions are described above.