AMARILLO GOLD CORPORATION

(A Development Stage Company)

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

For the Three Months Ended March 31, 2018 and 2017

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AMARILLO GOLD CORPORATION

MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

AMARILLO GOLD CORPORATION
(A Development Stage Company)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	**$ 4,075,467**	**$ 130,257**
Accounts receivable	**95,967**	**91,152**
Prepaids	**72,583**	**97,953**
	4,244,017	**319,362**
Non-current assets		
Resource properties and deferred exploration expenditures (Note 7)	**34,313,024**	**33,803,666**
Equipment (Note 8)	**62,137**	**63,464**
Total assets	**$ 38,619,178**	**$ 34,186,492**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$1,196,499**	**$ 984,515**
Due to related parties (Note 9)	**317,925**	**239,272**
Loans payable (Note 12(ii))	**1,696,952**	**1,127,971**
	3,211,376	**2,351,758**
Non current liabilities		
Deferred tax liability	**829,495**	**719,495**
Loans payable (Note 12(i))	**11,177,706**	**10,330,902**
Total liabilities	**15,218,577**	**13,402,155**
Equity		
Capital stock (Note 10)	**50,078,457**	**47,033,760**
Contributed surplus	**6,799,828**	**5,991,374**
Warrants (Note 10)	**998,692**	**167,306**
Deficit	**(34,476,376)**	**(32,408,103)**
Total equity	**23,400,601**	**20,784,337**
Total liabilities and equity	**$ 38,619,178**	**$34,186,492**

Business of the Company and Going Concern (Note 1)
Contingency (Note 14)
Subsequent Event (Note 15)
The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board:

Signed: "**Colin Sutherland**" Signed: "**Rowland Uloth**"

Director Director

AMARILLO GOLD CORPORATION
(A Development Stage Company)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the three months ended March 31		2018		2017
Expenses				
Accretion (Note 12(i))	$	346,519	$	313,416
Interest and bank charges		23,622		6,741
Management and consulting fees (Note 9)		166,295		280,549
Stock-based compensation		788,131		64,671
General and administrative		117,768		106,070
Professional fees		93,828		66,842
Foreign exchange		19,071		38,293
Filing and transfer agent fees		41,570		45,289
Write-off of accounts payable		(138,816)		-
		1,457,988		921,871
Loss before adjustments to gold loan		(1,457,988)		(921,871)
Foreign exchange loss on gold loan		(297,074)		-
Loss on fair value of derivatives (Note 12(i))		(203,211)		(695,012)
Loss before taxes		(1,958,273)		(1,616,883)
Deferred tax		110,000		-
Total loss and comprehensive loss	$	(2,068,273)	$	(1,616,883)
Basic and diluted loss per share (Note 11)	$	(0.02)	$	(0.02)
Weighted average shares outstanding basic and diluted (Note 11)		86,186,703		80,250,585

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AMARILLO GOLD CORPORATION
(A Development Stage Company)
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Capital stock	Contributed surplus	Warrants	Deficit	Total
At December 31, 2016	**$ 45,288,058**	**$ 5,715,856**	**$ 426,618**	**$ (27,632,673)**	**$ 23,797,859**
Fair value of stock options granted	-	64,671	-	-	64,671
Loss and comprehensive loss for the period	-	-	-	(1,616,883)	(1,616,883)
At March 31, 2017	**45,288,058**	**5,780,527**	**426,618**	**(29,249,556)**	**22,245,647**
Shares issued pursuant to restricted shares units	765,680	-	-	-	765,680
Shares issued pursuant to exercise of options	35,000	-	-	-	35,000
Fair value of stock options exercised	28,840	(28,840)	-	-	-
Fair value of stock options granted	-	160,222	-	-	160,222
Shares issued pursuant to exercise of warrants	736,335	-	-	-	736,335
Fair value of warrants exercised	179,847	-	(179,847)	-	-
Expired warrants	-	79,465	(79,465)	-	-
Loss and comprehensive loss for the rest of year	-	-	-	(3,158,547)	(3,158,547)
At December 31, 2017	**$ 47,033,760**	**$ 5,991,374**	**$ 167,306**	**$ (32,408,103)**	**$ 20,784,337**
Private placement – net	**3,896,406**	**-**	**-**	**-**	**3,896,406**
Fair value of warrants, net of tax	**(851,709)**	**-**	**851,709**	**-**	**-**
Fair value of stock options granted	**-**	**788,131**	**-**	**-**	**788,131**
Expired warrants	**-**	**20,323**	**(20,323)**	**-**	**-**
Loss and comprehensive loss for the period	**-**	**-**	**-**	**(2,068,273)**	**(2,068,273)**
At March 31, 2018	**$ 50,078,457**	**$ 6,799,828**	**$ 998,692**	**$ (34,476,376)**	**$ 23,400,601**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AMARILLO GOLD CORPORATION
(A Development Stage Company)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the three months ended March 31	2018	2017
Operating activities		
Net loss for the period	**$ (2,068,273)**	$ (1,616,883)
Unrealized foreign exchange loss	**19,071**	38,293
Accrued interest on loan payable	**18,980**	2,983
Stock-based compensation	**788,131**	64,671
Write-off of accounts payable	**(138,816)**	-
Accretion	**346,519**	313,416
Foreign exchange loss on gold loan	**297,074**	-
Loss on fair value of derivative	**203,211**	695,012
Deferred tax	**110,000**	-
	(424,103)	(502,508)
Accounts receivable	**(4,815)**	19,093
Subscriptions receivable	**-**	340,000
Prepaid expenses	**25,370**	29,158
Accounts payable and accrued liabilities	**350,800**	(333,190)
Due to related parties	**78,653**	83,506
	25,905	(363,941)
Investing activities		
Resource properties and deferred exploration expenditures	(527,101)	(486,143)
Financing activities		
Common shares	**3,971,334**	-
Share issuance costs	**(74,928)**	-
Loans	**550,000**	(67,375)
	4,446,406	(67,375)
Change in cash during the period	**3,945,210**	(917,459)
Cash, beginning of period	**130,257**	1,546,218
Cash, end of period	**$ 4,075,467**	$ 628,759
Non-cash investing activities		
Capitalized depreciation	**$ 2,218**	$ 2,783
Interest received	**$ -**	$ -

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. BUSINESS OF THE COMPANY AND GOING CONCERN

Amarillo Gold Corporation ("Amarillo" or the "Company") is incorporated under the laws of the Province of British Columbia, Canada. The address of the Company's registered office is Suite 201 – 82 Richmond Street East, Toronto, ON, Canada, M5C 1P1. Amarillo is a development stage company engaged in the acquisition and exploration of mineral properties, primarily in Brazil. Amarillo currently has two properties in Brazil: Mara Rosa which is located in the State of Goiás, and Lavras do Sul, which is located in the State of Rio Grande do Sul.

The Company has not earned any revenue to date from its operations. It is in the process of exploring its resource properties and has not yet determined whether the resource properties contain ore reserves that are economically recoverable. The recoverability of the properties' carrying values and of the related deferred evaluation and exploration expenditures depends on discovering economically recoverable reserves, on maintaining the Company's interest in the underlying mineral claims, and on the Company's ability to obtain necessary financing to complete the development and to establish profitable production in the future, or else on receiving sufficient proceeds from disposing of the properties. The Company's management is actively pursuing additional sources of financing, and while it has been successful in doing so in the past, no assurance exists it will be able to do so in the future.

As at March 31, 2018, the Company had positive working capital of $1,032,641 (December 31, 2017 – deficiency of $(2,032,396)) and an accumulated deficit of $34,476,376 (December 31, 2017 - $32,408,103).

These condensed interim consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on its ability to raise equity financing and to attain profitable operations. There are no assurances that the Company will be successful in achieving these goals. These circumstances cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of accounting principles applicable to a going concern.

These condensed interim consolidated financial statements do not give effect to any adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2017.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements are presented in Canadian dollars ("Cdn $"), which is also the functional currency of the Company.

3. NEW ACCOUNTING STANDARDS

a) IFRS 9 – Financial instruments: Classification and measurement

The Company has retrospectively adopted these amendments effective January 1, 2018. This accounting pronouncement establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories.

The Company has determined that the adoption of this pronouncement did not have a significant impact on its consolidated financial statements.

b) IFRS 15 – Revenue from contracts with customers

The Company has retrospectively adopted these amendments effective January 1, 2018. This accounting pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Company has determined that the adoption of this pronouncement did not have a significant impact on its consolidated financial statements.

c) IFRS 16 - Leases

This new accounting pronouncement, which will be effective for periods beginning on or after January 1, 2019, eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all lease with exemptions permitted for short-term leases and leases of low value assets. In addition, the new accounting standard sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements.

The Company has determined that this new pronouncement does not have a significant impact on its consolidated financial statements.

4. CAPITAL RISK MANAGEMENT

The Company manages and makes adjustments to its capital structure, based on the funds available to it, to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative "return on capital" criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

The Company considers its capital to be equity, which comprises share capital, other components of equity and accumulated deficit, which at March 31, 2018 totaled $23,400,601 (December 31, 2017 - $20,784,337).

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company depends on external financing to fund its activities. The Company will continue to assess new properties and may seek to acquire interests in additional properties if management believes sufficient geologic or economic potential exists and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in its approach during the period ended March 31, 2018. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

5. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk including interest rate, foreign exchange rate, and commodity, specifically gold, price risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

The key risks attaching to the Company's financial instruments are as follows:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Credit risk on cash is remote as it is held with reputable financial institutions and is closely monitored by management. Management believes that the credit risk with respect to financial instruments included in accounts receivable is remote as the majority of the receivables largely represent taxes receivable. As at March 31, 2018 and December 31, 2017, no accounts receivable were considered impaired or past due.

Liquidity risk

The Company manages liquidity risk with the objective of ensuring it will have sufficient liquidity to meet liabilities when due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of the financing will be favorable (Note 1).

As at March 31, 2018, the Company had a cash balance of $4,075,467 (December 31, 2017 - $130,257) to settle current liabilities of $3,211,376 (December 31, 2017 - $2,351,758).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and interest bearing debt. The Company's current policy is to invest excess cash in high yield saving accounts. The Company regularly monitors its cash management policy. Interest rate risk is remote as the Company's cash is relatively unaffected by changes in short-term interest rates and the interest rate on the debt is a fixed rate.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars and Brazilian Reals. To fund exploration expenditures, it maintains a Brazilian Real-denominated bank account containing sufficient funds to support monthly forecasted cash outflows. In addition, the loans payable is denominated in US dollars. Management does not hedge its foreign exchange risk.

(c) Commodity price risk

Commodity price risk, specifically relating to the price of gold, could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated significantly in recent years. As of March 31, 2018, the Company was not a gold producer. However, gold price risk affects the repayment amount to the loans payable, see Note 12 for details. In addition, gold price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

a) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the three months period ended March 31, 2018 and 2017.

b) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable and accounts payable denominated in Brazilian Reals, and loans payable denominated in US dollars. A plus or minus 5% change in foreign exchange rate of the Brazilian Real against the Canadian dollar would affect net loss by approximately $77,000 (December 31, 2017 - $26,200). A plus or minus 5% change in foreign exchange rate of the US dollar against the Canadian dollar would affect net loss by approximately $507,000 (December 31, 2017 - $497,000).

c) The Company is exposed to the commodity price risk on fluctuation of gold price. A plus or minus 5% change in gold price applied to the financial instruments held at the end of the reporting period would affect net loss by approximately $555,000 (December 31, 2017 - $411,000).

6. CATEGORIES OF FINANCIAL INSTRUMENTS

	As at March 31, 2018	As at December 31, 2017
Financial assets:		
At fair value through profit or loss (FVTPL)		
Cash	**$ 4,075,467**	$ 130,257
Loans and receivables		
Accounts receivable, excludes HST/GST receivable	**$ 59,092**	$ 59,728
Financial liabilities:		
Other financial liabilities		
Accounts payable and accrued liabilities	**$ 1,196,499**	$ 984,515
Due to related parties	**$ 317,925**	$ 239,272
Loans payable	**$ 11,913,027**	$ 10,700,453
FVTPL		
Derivative embedded within loans payable to AIMS, Doug Pollitt and Alchemist Inc.	**$ (961,631)**	$ (758,420)

7. RESOURCE PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	Mara Rosa	Lavras do Sul	March 31, 2018	December 31, 2017
Resource properties				
Balance, beginning of year	**$ 1,067,278**	**$ 2,968,088**	**$ 4,035,366**	$ 4,035,366
Additions during the period/year	**-**	**-**	**-**	-
Impairment losses	**-**	**-**	**-**	-
Recoveries	**-**	**-**	**-**	-
Balance, end of the period/year	**1,067,278**	**2,968,088**	**4,035,366**	4,035,366
Deferred evaluation and exploration expenditures				
Balance, beginning of year	**17,502,755**	**12,265,545**	**29,768,300**	27,969,620
Expenditures during the period/year				
Consulting	**100,011**	**7,566**	**107,577**	1,147,304
Optimization study	**173,013**	**-**	**173,013**	-
Drilling and related costs	**-**	**-**	**-**	-
Assays	**-**	**-**	**-**	6,825
Other evaluation and exploration expenses	**184,707**	**44,061**	**228,768**	644,551
	457,731	**51,627**	**509,358**	1,798,680
Balance, end of the period/year	**17,960,486**	**12,317,172**	**30,277,658**	29,768,300
Total	**$ 19,027,764**	**$ 15,285,260**	**$ 34,313,024**	$ 33,803,666

(i) Mara Rosa Property

During the three months ended March 31, 2018, Amarillo incurred total deferred exploration expenditures of $457,731 on the Mara Rosa property (December 31, 2017 - $1,599,414).

The Mara Rosa project is Amarillo's primary asset located near the town of Mara Rosa in Goias State in central Brazil, 335 kilometres northwest of the national capital of Brasilia, Brazil. The property consists of exploration permits covering an area totalling 74,089 hectares and 3 mining concessions (the "Posse" mine) which cover an area totalling 2,552 hectares. This package of ground is 100% controlled by Amarillo, although the ground is subject to a 1% Net Smelter Returns ("NSR") royalty to Franco Nevada Corporation and a 1% NSR royalty to Royal Gold, Inc.

(ii) Lavras do Sul Property

During the three months ended March 31, 2018, Amarillo incurred total deferred exploration expenditures of $51,627 (December 31, 2017 - $199,266) on the Lavras do Sul property (the "Lavras project").

Rio Tinto agreement

The Company acquired an option on the Lavras project from Rio Tinto Desenvolvimentos Ltda. ("Rio Tinto") in October 2006. The Lavras project area covers a total of 220 square kilometers and is located in the state of Rio Grande do Sul, approximately 420 kilometers by paved road southwest of the state capital Porto Alegre.

A summary of the option terms are:

- Amarillo was required to make payments of US$1,265,000 through various installments up to January 31, 2008 in order to acquire an initial 60% interest in the property (payments made).

- Amarillo was required to issue 2,000,000 warrants - exercisable at $0.50 – to Rio Tinto within 60 days of signing the final agreement (issued). The warrants expired on January 22, 2010.
- Amarillo was required to spend US$2,550,000 by January 31, 2008 on exploration of this property (spent).

Upon completion of the above terms Amarillo can form a Joint Venture with the underlying owners. If the underlying owners elect not to contribute then Amarillo will earn a 100% interest in the Property and be required to pay a 1.5% NSR royalty on production. The Company has yet to enter into a Joint Venture; however it continues to work with prospective partners to negotiate this agreement.

Amarillo may withdraw from this agreement at any time by giving 30 days written notice.

In addition, should Amarillo choose to exercise at least one of its options related to the formation of a Joint Venture with the underlying owners, as set out in the option agreement these additional terms apply:

- Amarillo must make a payment of US$806,000 to Rio Tinto;
- Amarillo must make a US$1,000,000 payment to Rio Tinto within 90 days of a bankable feasibility being delivered; and
- Amarillo must make a US$6,500,000 payment for every one million ounces of recoverable gold reserves discovered on the Property in which Rio Tinto has an option to acquire a 60% equity interest.

Rio Tinto will have a back-in-right to acquire 70% of the Amarillo interest in the project by paying Amarillo three times their exploration expenditures in the event that Amarillo's equity interest in the Property contains in excess of seven million ounces of recoverable gold.

IAMGOLD agreement

On May 23, 2008, a Heads of Agreement was signed between IAMGOLD Corporation ("IAMGOLD") and Amarillo, which gave Amarillo the right to acquire a 70% interest in eight license areas with a cumulative net area of approximately 7,000 hectares (the "Property") and which are contiguous with the Company's current Lavras do Sul project.

The terms of the agreement are that Amarillo can earn a 51% interest by expending US$800,000 on exploration over 3 years which will include a minimum of 2,000 metres drilling (of which US$200,000 must be spent within the first 12-month period). In the event that IAMGOLD elects not to contribute pro-rata funding after the first earn-in period then Amarillo may earn a further 29% interest (for a total of 80%) by funding any mineral resource discovered on the Property through to feasibility study.

At the completion of a feasibility study on the Property, and up to a period of 60 days from this date, IAMGOLD may either:

- elect to contribute its pro-rata share to future funding; or
- dilute its interest to a 2.0% NSR, of which 1.0% may be bought back by Amarillo for US$1,000,000 at any time up to the commencement of production; or exercise a one-time back-in right to increase its participating interest to 60%, if Amarillo has established a total mineral reserve in excess of 2.5 million ounces of gold on the Property, and become operator by paying three times Amarillo's exploration costs up to the date of IAMGOLD exercising its back-in right.

As of December 31, 2012, Amarillo had met its commitments in respect of the IAMGOLD agreement, earning a 51% interest in the license areas.

8. EQUIPMENT

	Furniture and fixtures	Computer hardware	Total
Cost			
Balance as of December 31, 2016	$ 114,389	$ 46,593	$ 160,982
Additions	1,797	3,391	5,188
Balance as of December 31, 2017	$ 116,186	$ 49,984	$ 166,170
Additions	**891**	**-**	**891**
Balance as of March 31, 2018	**$ 117,077**	**$ 49,984**	**$ 167,061**
Accumulated depreciation			
Balance as of December 31, 2016	$ 58,315	$ 33,579	$ 91,894
Depreciation for the year	8,382	2,430	10,812
Balance as of December 31, 2017	$ 66,697	$ 36,009	$ 102,706
Depreciation for the period	**1,800**	**418**	**2,218**
Balance as of March 31, 2018	**$ 68,497**	**$ 36,427**	**$ 104,924**
Carrying amounts			
At December 31, 2017	$ 49,489	$ 13,975	$ 63,464
At March 31, 2018	**$ 48,580**	**$ 13,557**	**$ 62,137**

Depreciation for the period ended March 31, 2018 amounting to $2,218 (December 31, 2017 - $10,812) has been included as a deferred exploration cost of the Mara Rosa property.

9. RELATED PARTY TRANSACTIONS AND BALANCES

As at March 31, 2018, and December 31, 2017, the balance due to related parties is comprised of the following:

	March 31, 2018	December 31, 2017
Due to officers	**$ 80,000**	$ 23,590
Due to corporations controlled by directors	**112,925**	115,682
Due to directors	**125,000**	100,000
	$ 317,925	$ 239,272

These amounts are non-interest bearing, unsecured and subject to normal trade payment terms.

During the three months ended March 31, 2018 and 2017, the Company incurred charges with directors, officers and companies with a common director as follows:

	2018	2017
Management fees charged by an officer	**$ 60,000**	$ 22,750
Consulting fees charged by directors' and officers' corporations	**8,550**	171,250
General and administrative expenses charged by directors' corporations	**-**	26,823
Director fees and expenses (included in management and consulting fees)	**25,000**	10,000
	$ 93,550	$ 230,823

During the three months ended March 31, 2018, the Company granted to directors and officers 4,390,000

(2017: 200,000) options at an exercise price of $0.31 (2017: $0.37) expiring up to January 5, 2023 (2017: February 14, 2022).

These transactions were in the normal course of business and are measured at amounts representing normal commercial terms.

10. CAPITAL STOCK

a) Authorized

unlimited number of common shares

b) Issued

	Shares	Amount
Balance, December 31, 2016	80,250,585	$ 45,288,058
Restricted share units	2,378,000	765,680
Exercise of warrants	2,945,340	736,335
Exercise of options	140,000	35,000
Fair value of warrants and options	-	208,687
Balance, December 31, 2017	85,713,925	$ 47,033,760
Private placement (Note 15)	**14,183,333**	**3,971,334**
Issuance expenses	**-**	**(74,928)**
Fair value of warrants	**-**	**(851,709)**
Balance, March 31, 2018	**99,897,258**	**$ 50,078,457**

The Company issued the shares as follows:

As at March 31, 2018, Tranche I of the Private Placement referred to in Note 15 resulted in 14,183,333 Units issued for gross proceeds of $3,971,334. Each Unit is comprised of one common share (each, a “Common Share”) and one-half of one Common Share purchase warrant (each, a “Warrant”). Each whole Warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.38 for a period of 24 months following the date of issue, subject to customary adjustment provisions.

During the year ended December 31, 2017, the Company issued 2,378,000 shares upon redemption of restricted share units.

During the year ended December 31, 2017, the Company received cash of $736,335 pursuant to exercise of 2,945,340 warrants.

During the year ended December 31, 2017, the Company received cash of $35,000 pursuant to the exercise of 140,000 stock options.

c) Warrants

As at March 31, 2018, the Company had 8,468,210 (December 31, 2017 – 1,761,134) warrants outstanding, detailed below:

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, December 31, 2016	5,692,250	$0.29	$ 426,618
Exercised	(2,945,340)	$0.25	$ (179,847)
Expired	(985,776)	$0.25	$ (79,465)
Balance, December 31, 2017	**1,761,134**	**$0.29**	**$ 167,306**
Issued	**7,091,664**	**$0.38**	**$ 851,709**
Expired	**(384,588)**	**$0.25**	**$ (20,323)**
Balance, March 31, 2018	**8,468,210**	**$0.36**	**$ 998,692**

As of March 31, 2018, the Company had the following warrants outstanding:

Number of Warrants	Expiry date	Weighted average exercise price $
189,864	September 24, 2018	0.25
172,028	December 14, 2018	0.25
199,155	March 1, 2019	0.25
196,749	June 8, 2019	0.25
618,750	December 9, 2019	0.32
7,091,664	March 29, 2020	0.38
8,468,210		**0.36**

d) Stock options

The Company has a stock option plan (the "Plan") for directors, senior officers, employees, consultants and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% (2016: 5%) of the issued and outstanding common shares of the Company. Options are granted for a term not exceeding five years and vest immediately when granted to directors, senior officers, employees and consultants (other than those performing investor relations). Options granted to consultants performing investor relations activities vest over a period of twelve months. The following is a continuity of stock options for the period ended March 31, 2018:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2016	2,395,000	$	0.27
Granted	715,000	$	0.36
Exercised	(140,000)	$	0.25
Expired/Cancelled	-	$	-
Balance, December 31, 2017	**2,970,000**	**$**	**0.29**
Granted	**4,590,000**	**$**	**0.31**
Balance, March 31, 2018	**7,560,000**	**$**	**0.30**

As at March 31, 2018, the Company had the following stock options outstanding and exercisable:

Number of Options	Exercise Price	Fair Value at date of grant	Remaining Contractual Life (years)
805,000	$0.25	$ 165,610	2.80
1,450,000	$0.28	$ 446,791	2.59
200,000	$0.37	$ 64,671	3.89
500,000	$0.36	$ 156,472	4.19
15,000	$0.31	$ 3,750	4.67
4,590,000	$0.31	$ 1,237,464	4.77
7,560,000	**$0.30**		**4.08**

The grant date fair value of the options granted was estimated using the Black-Scholes option pricing model using the following estimates:

	Three Months Ended March 31	
	2018	**2017**
Weighted average risk-free interest rate (%)	**1.97**	1.07
Expected life (years)	**5.0**	5.0
Weighted average expected volatility (%)	**133**	136
Expected rate of forfeiture	**Nil**	Nil
Expected dividend yield	**Nil**	Nil

11. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2018 was based on the loss attributable to common shareholders of $2,068,273 (March 31, 2017 - $1,616,883) and the weighted average number of common shares outstanding of 86,186,703 (March 31, 2017 – 80,250,585).

12. LOANS PAYABLE

i) Gold-linked Loan

	March 31, 2018	**December 31, 2017**
Balance, beginning of year	**$ 10,330,902**	$ 8,564,844
Drawdown	**-**	-
Accretion	**346,519**	1,288,023
Foreign exchange loss (gain)	**297,074**	(632,050)
Loss on derivatives	**203,211**	1,110,085
Balance, end of period/year	**$ 11,177,706**	$ 10,330,902

Gold Ounces Outstanding

	March 31, 2018	**December 31, 2017**
Principal, beginning of the year	**4,469**	4,469
Drawdown during the period/year.	**-**	-
Principal, end of period/year	**4,469**	4,469
Accumulated interest, beginning of the year	**1,893**	1,183
Accrued interest	**188**	709
Accrued interest, end of period/year	**2,081**	1,893
Gold Ounces due, end of period/year	**6,550**	6,362

Gold loan ounces ownership is as follows:

Gold Ounces Outstanding	**March 31, 2018**	**December 31, 2017**
AIMS	**3,482**	3,382
Alchemist Inc.	**2,903**	2,820
Douglas Pollitt	**165**	160
Gold Ounces due, end of period/year	**6,550**	6,362

On July 31, 2014, the Company entered into agreements with AIMS, Alchemist Inc. ("Alchemist") and Douglas Pollitt ("DP") to obtain a Gold-linked credit facility ("Gold-linked Loan"). The Gold-linked Loan must be repaid on the earliest of 1) a change of control of the Company, 2) three months following a declaration of commercial productions at the Company's Mara Rosa project; and 3) July 31, 2019 which was extended to June 30, 2022 on February 20, 2018. The facility bears a coupon of 12% and is secured by a 5% NSR on the Mara Rosa project, which relinquishes on repayment of the loan. The Lenders are granted a right of first refusal on equity issuance at a price less than $0.25 per share and a pro-rata right of participation at share prices above $0.25 per share. The Company can borrow up to the US dollar value of 5,000 ounces of gold calculated according to the Relevant Gold Reference Price (RGRP). The RGRP means the Initial Gold Reference Price if it relates to the initial drawdown or Subsequent Gold Reference Price if it relates to subsequent drawdowns. An initial tranche/drawdown of a US dollar value up to 2,500 ounces of gold with a reference price of US$1,294.50/oz ("Initial Drawdown"). Subsequent tranches can be filled quarterly (based on calendar year) with a reference price based on the LBMA PM seven business days prior to start of the quarter) up to 270 ounces ("Subsequent Drawdown"). The Company shall issue warrants to lenders representing an aggregate of 1200 warrants for each US$1000 in value of the Gold-linked Loan Initial Drawdown and 600 warrants for each US$1000 in value of the Gold-linked Loan Subsequent Drawdown. Each warrant is exercisable into a common share at $0.25 per share for a 36 months' period ("Lender Warrants"). During the year ended December 31, 2014, the Company had drawdowns of US$3,641,107 (2,849 gold ounces).

As a result of the indexation of the loan repayments to the movement in the price of gold, the Company has determined that the Gold-linked Loan contains a derivative which is embedded in the US dollar denominated debt instrument (the "Embedded Derivative"). The embedded derivative is marked to market at each period end with changes in fair value recorded as gain on fair value of derivative.

During the year ended December 31, 2015, the Company had drawdowns of US$1,243,728 (1,080 gold ounces). The Company also granted 1,040,524 warrants and paid US$73,579 transaction cost. The warrants were valued at $51,620 using the Black-Scholes option-pricing model with the following assumptions: expected life of three years, risk-free interest rate of 0.57% to 1.10%, expected dividend yield of 0% and expected volatility of 128 to 142%. The accretion expenses of $778,402 was recorded in the net loss using the effective rates of 14.42% to 14.98%. The gain on fair value of derivatives of $776,502 was recorded in the net loss during the year ended December 31, 2015.

During the year ended December 31, 2016 the Company had drawdowns of US$661,770 (540 gold ounces). The Company also granted 395,904 warrants and paid US$39,506 transaction cost. The warrants were valued at $81,381 using the Black-Scholes option-pricing model with the following assumptions: expected life of three years, risk-free interest rates of 0.52% to 0.53%, expected dividend yield of 0% and expected volatility of 152% to 156%. The effective rates were 16.57% to 21.02%.

As of March 31, 2018, the balance consisted of the accreted principal, net of unamortized transaction costs of $10,216,075 (December 31, 2017: $9,572,482) and embedded derivative liability of $961,631 (December 31, 2017: $758,420) for a net balance of $11,177,706 (December 31, 2017: $10,330,902).

ii) Loans from related parties

	March 31, 2018	December 31, 2017
Related party loan (Note 12(ii)(a)	**$ 87,842**	$ 86,909
Related party loan (Note 12(ii)(b)	**1,609,110**	1,041,062
	$ 1,696,952	$ 1,127,971

a) Related party loan

On January 23, 2013, the Company obtained a loan from a person unrelated to the Company, in the amount of US$100,000. The loan bears simple interest at an annual rate of 12%. On July 31, 2013, the term of the loan was extended until December 31, 2014. On December 9, 2013, the Company repaid US$23,509 in respect of the loan. During the year ended December 31, 2013, this loan was assigned by the third party to Mr. Rick Brown, a then officer and director of the Company. US$76,491 plus unpaid interest of US$38,120 remained outstanding as at December 31, 2016 for a total of US$114,611 (CDN$151,294). During the year ended December 31, 2017, the Company repaid partial principal amount of US$50,404 and accrued US$4,443 interest. As at March 31, 2018, US$67,887 (CDN$87,842)(December 31, 2017: US$67,159 (CDN$86,909)) remained outstanding.

b) Related party loan

During the three months ended March 31, 2018, the Company obtained $550,000 loans (year ended December 31, 2017: $1,025,000) from the Executive Chairman of the Company. The combined loans of $1,575,000 bear simple interest at an annual rate of 6%. As at March 31, 2018, the Company accrued $34,110 (December 31, 2017: $16,061) interest on the loans.

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment - mineral exploration. The Company's resource properties are located in Brazil and its corporate assets are located in Canada.

The Company is in the exploration stage and, accordingly, has no reportable segment revenues.

Total assets by geographic region are as follows:

March 31, 2018	**Canada**	**Brazil**	**Total**
Current assets	**$ 3,923,219**	**$ 320,798**	**$ 4,244,017**
Resource properties and deferred exploration expenditures	**-**	**34,313,024**	**34,313,024**
Equipment	**-**	**62,137**	**62,137**
	$ 3,923,219	**$ 34,695,959**	**$ 38,619,178**

December 31, 2017	**Canada**	**Brazil**	**Total**
Current assets	$ 247,243	$ 72,119	$ 319,362
Resource properties and deferred exploration expenditures	-	33,803,666	33,803,666
Equipment	-	63,464	63,464
	$ 247,243	**$ 33,939,249**	**$ 34,186,492**

14. CONTINGENCY

The Company entered into a services agreement (the "Services Agreement") dated April 28, 2008 with Western Potash Corporation ("WPC"), a British Columbia company, whereby the Company would acquire exploration permits (the "Exploration Permits") in Brazil's Amazon Basin and once received from the Brazilian Departamento Nacional de Producao Mineral ("DNPM") the Company would transfer those permits to a Brazilian subsidiary of WPC. Under the Services Agreement, WPC was responsible for all direct and indirect costs incurred on the WPC Properties. The Services Agreement expressly stated that the Company shall not be liable for any losses, claims, expenses or other liabilities relating to the Services Agreement.

Amarillo, through its Brazilian subsidiary Amarillo Mineraçâo do Brasil Ltda ("AMB"), preformed the following services for WPC: staked mineral claims in the Amazon Basin, formed a 100% owned subsidiary of WPC called Potassio Occidental Mineracao Ltda ("POML") in Brazil, set up bank accounts and other things necessary for POML to commence business in Brazil.

AMB applied for and received Exploration Permits for WPC (the "WPC Properties"). The Exploration Permits, which have a three year life, were received on September 12, 2011 which then obligated the owner of the permits to pay taxes on January 31, 2012, 2013 and 2014. Amarillo submitted applications to assign the Exploration Permits to POML in three tranches on November 7, 2011, November 8, 2011 and January 30, 2012. The Exploration Permits should, according to Brazilian law, have been transferred to POML within 60 days. These applications were not processed in a timely way as Brazil instituted a moratorium on all applications for Exploration Permits pending the approval of a new the Mining Code. This suspension was put into effect without any written order and without the publication of any act in the Official Gazette of Brazil.

As a consequence, the transfer of the Exploration Permits was not processed. AMB remained the registered owner of the Exploration Permits and liable for taxes thereon which became payable on January 31, 2012, and on January 31 of each of the next two years. The Taxa Annual pro Hectare ("TAH") taxes due in respect of the Exploration Permits on January 31, 2012 were paid by POML with funds provided by WPC. POML did not pay the TAH for the Exploration Permits due on January 31, 2013 and on April 19, 2013, WPC sold its shares of POML to Pacific Potash Corporation ("PPC").

On October 7, 2013, POML reached a settlement with DNPM for a total gross amount of TAH payments, penalties and interest of R$ $4,660,707. DNPM agreed to allow POML to make the outstanding TAH payments, related penalties and interest owed over a five year payment period. However, POML made only one monthly payment and then went into default and has not made any further payments.

As the Exploration Permits had not been transferred to POML due to the moratorium, AMB continued to have liability in the eyes of DNPM for the TAH, penalties and interest assessed in respect of the Exploration Permits for 2013 and 2014. In 2015, AMB appealed its liability for these costs. In January, 2017, DNPM advised AMB that its appeal had not been allowed. At this time. DNPM has brought proceedings against AMB for the unpaid taxes on the Exploration Permits for 2013 and 2014 amounting to R$ 4,790,407. The DNPM has also levied penalties in the amount of R$ 600,769.

Although the TAH and penalties in respect of the Explorations Permits for 2013 and 2014 were not paid, WPC continued to acknowledge to Amarillo its liability for these costs. The Company believed that WPC would make good on its obligations, and that the TAH and penalties were not the Company's obligation.

The Company has been of the view that the liability for the TAH, penalties and interest amounts rests with WPC and that WPC would honour its obligations to the DNPM. It also expected its appeal would be successful as the Exploration Permits should have been transferred to POML according to Brazilian law. As the DNPM has now denied the Company's appeal and WPC has yet to pay its obligations to the DNPM, the Company has commenced communications with WPC regarding the status of its obligations and the settlement thereof. As the Company believes that it will be successful in causing WPC to pay, no amounts have been accrued in the Company's financial statements for liabilities arising in respect of the Exploration Permits as at March 31, 2018 and December 31, 2017.

15. SUBSEQUENT EVENT

On April 12, 2018 closed a non-brokered private placement (the “Private Placement”) through the issuance of 18,427,780 units (“Units”) at a subscription price of $0.28 per Unit for aggregate gross proceeds to the Company of $5,159,778. Management and directors of the Company subscribed for Units in an aggregate amount of $1,056,000. In connection with the closing of the Private Placement, the Company paid a cash finder’s fee in the amount of $6,905 to Anarcho Capital Inc. Each Unit is comprised of one common share (each, a “Common Share”) and one-half of one Common Share purchase warrant (each, a “Warrant”). Each whole Warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.38 for a period of 24 months following the date of issue, subject to customary adjustment provisions. As at March 31, 2018, Tranche I of the Private Placement resulted in 14,183,333 Units issued for gross proceeds of $3,971,334. On April 12, 2018, Tranche II of the Private Placement resulted in the remaining 4,244,447 Units issued for gross proceeds of $1,188,444.

16. AUTHORIZATION

These condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 were reviewed and adopted by the Company’s Audit Committee and full Board of Directors on May 22, 2018 and were subsequently certified by the Company’s Chief Executive Officer and Chief Financial Officer.