AMARILLO GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2018

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017

1. Introduction

This management's discussion and analysis ("MD&A") should be read in conjunction with Amarillo Gold Corporation's ("Amarillo" or "the Company") unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018, and their related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All figures are in Canadian dollars unless otherwise noted. The discussion and analysis within this MD&A are effective as of May 23, 2018.

Additional financial and corporate information relating to Amarillo can be found on the Company's website, www.amarillogold.com, or on the SEDAR website www.sedar.com.

2. Business Overview

Amarillo is developing a highly economic, open pit gold resource at its Mara Rosa Project in the mining friendly jurisdiction of Goias State in Brazil. An Updated Pre-Feasibility Study, a National Instrument 43-101 – *Standard of Disclosure for Mineral Projects* ("NI 43-101") technical report, for the Mara Rosa Project was filed on SEDAR on May 4, 2017. In addition, Amarillo has an advanced exploration project with promising grades at Lavras do Sul, also in Brazil. A Mineral Resource Estimate Study, NI 43-101 technical report, for Lavras do Sul was filed on SEDAR on October 4, 2010. Both projects have good nearby infrastructure. The Mara Rosa Project was awarded the preliminary license ("LP – Licença Prévia") that gives social and environment permission for the mine. This has allowed Amarillo to move forward and work on the installation permit ("LI – Licença de Instalação") for the Mara Rosa Project, which will then be followed by the operating license ("LO - Licença de Operação").

There are three phases of licensing proceedings. The first is the LP – Licença Prévia, which is requested when planning the implementation, modification or extension of a project. It evaluates the environmental feasibility of the project and whether or not the project application is compliant with applicable environmental requirements. The second is the LI – Licença de Instalação, which authorizes the infrastructure of the project. The third and final phase is the LO - Licença de Operação, which is requested before the project is initiated and authorizes the day-to-day operations of the project.

3. Company Highlights

a. Financing in 2018

On April 12, 2018 the Company 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. 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. The Company intends to use the net proceeds from the Private Placement for advancing the Company’s mineral exploration and development projects, and for general corporate purposes. 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., an arm’s length third party.

On February 20, 2018, the Company announced that it had amended and extended the maturity date of its existing gold-linked credit facility (the “Facility”). Amarillo and its lending group have agreed to extend the maturity of the Facility from July 31, 2019 to June 30, 2022. The other terms and conditions will remain the same. On July 31, 2014, the Company entered into the Facility for the purpose of financing the Company and consolidating many of the Company’s then current obligations into a single structure. Following the above-referenced extension of the maturity date, the Facility must be repaid on the earliest of: (i) a change of control of the Company; (ii) three months following a declaration of commercial production at the Company’s Mara Rosa Project; and (iii) June 30, 2022. The Facility bears interest at 12% per annum, calculated quarterly based on outstanding principal and unpaid interest; and is secured by a 5% net smelter royalty on the Company’s 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. Under the Facility, the Company can borrow up to the US dollar value of 5,000 ounces of gold using certain defined gold price close to the time of drawdown. As at March 31, 2018, the Company has drawn the equivalent of approximately 4,469 ounces of gold and accrued interest of 2,081 ounces of gold for a total of 6,550 ounces of gold which have not been repaid.

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.

b. Mara Rosa Project

On March 7, 2017, the Company announced the results of an updated Pre-feasibility Study (“PFS” or “Study”) in accordance with National Instrument 43-101 (“NI 43-101”) on the Posse gold deposit. The PFS was filed on SEDAR on May 4, 2017

Highlights of the contract mining scenario follow:

- initial capital expenditure (including working capital) $148M USD;
- post-tax internal rate of return (IRR) of 35.2%;
- post-tax net present value using 5% discount rate of $178M USD;
- post-tax project payback of 2.2 years;
- cash operating cost: $545/oz Au;
- all-in sustaining costs (AISC) of $627/oz Au*;

- EBITDA: Average $85.6M USD per year over first 4 years;
- average annual gold production 140,000 ounces over first 4 years;
- average Life of Mine (LOM) production 112,000 ounces per year over 8 years;
- proven and probable mineral reserves of 997,536 ounces of gold (2011: 945,000 ozs); and
- total gold recovered over LOM is 892,000 ounces- after considering dilution 3% and plant recovery 92%.

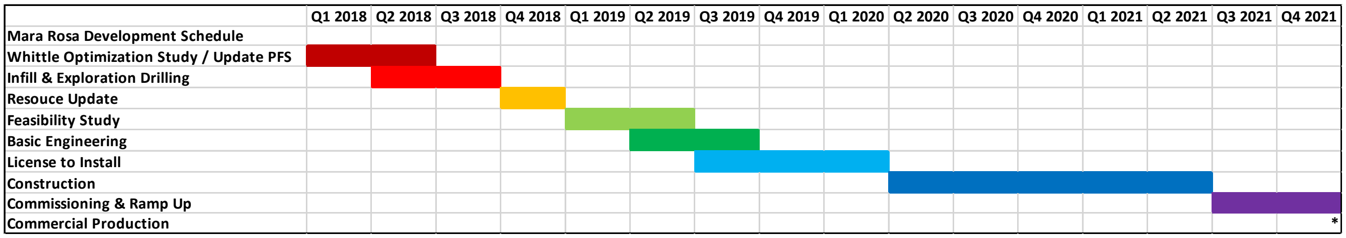
On May 9, 2016 Amarillo announced that it received, from the Secretary of Environment, Water Resources, Infrastructure, Cities and Metropolitan Affairs (SECIMA) of the state of Goiás the LP – Licença Prévia for the proposed mine at the Mara Rosa project.

The Public Hearing, was the last major step in obtaining the LP – Licença Prévia for Amarillo's Posse gold deposit, and was held on February 23, 2016 in the town of Mara Rosa, Brazil. The Public Hearing was conducted and chaired by the Secretariat of Environment, Water Resources, Infrastructure, Cities and Metropolitan Affairs (SECIMA), and also attended by representatives of the Public Prosecutors office, Ministério Público ("MP").

On January 31, 2018 the Company announced that it had engaged Whittle Consulting ("WCPL") to conduct an Enterprise Optimisation ("EO") study for the Company's flagship Mara Rosa Gold Project in Brazil.

WCPL's technical experts plan to model the complete value chain of the Mara Rosa Project. Their internal proprietary optimisation tool will then be used to maximise the flow of net cash through the bottleneck(s) in the system, to generate life-of-mine business plans that excel in terms of economic value and any other strategic imperatives including social, political and environmental considerations. WCPL has demonstrated in many such studies that the comprehensive application of their "Whittle Integrated Strategic Planning" approach and concepts can yield improvements in Net Present Value ("NPV") of 5% - 35% or substantially more in any mine, even when a number of conventional optimisation approaches have already been applied. WCPL identified the Mara Rosa Gold Project as an ideal candidate to apply their methods and proprietary software and early indications point toward the potential to generate additional NPV at the Mara Rosa Gold Project as demonstrated at other mines. This study marks the first step in a series of initiatives that we are planning for Mara Rosa including a Feasibility Study leading up to the application for the LI – Licença de Instalação. An updated PFS is expected to be published later this year incorporating the WCPL EO study results.

Additional exploration drilling has commenced at Mara Rosa. The planned 7K meters of core drilling is being conducted by Sondagem Brasileira and 3K meters of RC drilling is being carried out by Geosedna Perfurações Especiais S/A. An updated mineral resource will be produced prior to launching a Feasibility Study ("FS") in early 2019. Following the FS and Basic Engineering ("BE") in early 2019, Amarillo will make an application for the LI – Licença de Instalação and expects to begin construction of the Mara Rosa Gold Mine in 2020. The following chart is a timeline of the planned activities at Mara Rosa leading up to commercial production:



c. Lavras do Sul ("LDS") project

In 2017, an application to convert the exploration permits over the Butia deposit to mining permits was made to the DNPM. An environmental baseline study is planned on the Butia property this year as requested by the DNPM.

Additional exploration work consisting of soil sampling, trench sampling and airborne magnetic surveying will be conducted on properties adjacent to the Butia project in an effort to explore for an extension of the Butia deposit.

Exploration work on several other properties in the LDS area will be conducted as required to maintain the exploration permits.

4. Quarterly Financial Results

Table 1 summarizes the Company's major operating expense categories for the first quarter of 2018 and 2017 ("Q1 2018" and "Q1 2017").

Table 1: Amarillo's Expenses and Loss

Operating Expenses – Three Months 2017 and 2016		
	Three Months ended March 31	
	2018	2017
Consulting fees	**166,295**	280,549
General and administrative	**117,768**	106,070
Stock-based compensation	**788,131**	64,671
Professional fees	**93,828**	66,842
Other expenses	**84,263**	90,323
Write-off of accounts payable	**(138,816)**	-
Subtotal before other items	**1,111,469**	608,455
Accretion on gold loans	**346,519**	313,416
Foreign exchange loss	**297,074**	-
Loss on FV of derivatives	**203,211**	695,012
Loss before taxes	**1,958,273**	1,616,883
Deferred tax	**110,000**	-
Net loss	**2,068,273**	1,616,883

For the quarter ended March 31, 2018, the Company recorded a loss of $2,068,273 (Q1 2017: $1,616,883) as a result of the following:

- Consulting Fees decreased by $114,254 in Q1 2018 to $166,295 from $280,549 in Q1 2017. The decrease is due mainly to decreased charges by consultants throughout the period for services related to the ongoing operations at head office and in Brazil.

- General and Administrative expenses increased slightly in Q1 2018 compared to Q1 2017 due to slightly increased travel.

- Stock-based Compensation expense increased by $723,460 in Q1 2018 to $788,131 from $64,671 in Q1 2017 due to the granting of 4,590,000 compared to 200,000 in Q1 2017 most of which vest immediately.

- Professional Fees increased by $26,906 in Q1 2018 to $93,828 from $66,842 in Q1 2017. The increase was attributable to increased legal representation relating to properties in Brazil.

- Other Expenses, which include bank charges, interest on loans, filing and transfer agent fees and investor communications, reflect general changes from period to period.

- The Company wrote off $138,816 very old dormant accounts payable in Q1 2018.

- The gold loans have been initially recorded at discounted values for accounting purposes. Accretion of approximately $300K per quarter is being recorded on the gold loans. The gold loan is recorded in ounces of gold including principal at the time of drawdown from the gold loan facility and interest at 12% compounded. The gold loan in ounces as at March 31, 2018 was 6,550 ounces (December 31, 2017: 6,362 ounces) including principal of 4,469 ounces (December 31, 2017: 4,469 ounces) and interest of 2,081 ounces (December 31, 2017: 1,893 ounces).

- The loss on derivatives relate to the gold loan which is linked to the price of gold at each reporting period. The loss of $203,211 in Q1 2018 is due to an increase in gold price of US $27 per ounce from US$1,297 as at December 31, 2017 to US$1,324 as at March 31, 2018.

- The foreign exchange loss in each reporting period arises from the fluctuation of exchange rate of USD which resulted in gain or loss on the USD loan payable, and translation of the foreign subsidiary’s assets and liabilities, based on the value of the Brazilian real against the Canadian dollar.

- The deferred tax expense results from reduction in the value of the Brazilian real against the Canadian dollar from period to period. The tax pools and timing differences from the previous reporting period resulted in a lesser translated Canadian value with the difference recorded as deferred tax expense.

- There were no amounts written off in respect of the resource properties in Q1 2018 and Q1 2017.

5. Summary Quarterly Financial Results

Table 2 presents extracted information from the Company's unaudited quarterly results of operations for each of the last eight quarters. All periods reflect accounting policies consistent with IFRS.

Table 2: Summary Financial Results

	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Net Loss	$(1,305,162)	$(881,417)	$(971,968)	$(2,068,273)
Total Assets	$33,229,786	$34,226,140	$34,186,492	$38,619,178
Total non-current liabilities	10,165,374	10,762,864	11,050,397	12,007,201
Loss Per Share	$(0.02)	$(0.01)	$(0.01)	$(0.02)
	Q2 2016	**Q3 2016**	**Q-4 2016**	**Q1 2017**
Net Loss (Income)	$(1,731,361)	$(459,464)	$122,356	$(1,616,883)
Total Assets	$31,976,754	$31,976,754	$31,976,754	$33,389,068
Total non-current liabilities	9,488,781	9,884,467	8,798,174	9,739,228
Loss Per Share	$(0.02)	$(0.01)	$0.00	$(0.02)

The significant variations in net loss/income for each quarter is mostly due to effects of the gold price and foreign exchange on the gold-linked loan which can revert from a gain to a loss from one reporting period to the next. In addition, stock-based compensation expense fluctuate based on the timing of stock option grants. All of the other items included in the losses per quarter are fairly consistent.

Total assets progressively increase from one quarter to the next due to the capitalization of expenditures on the Mara Rosa and Lavras do Sul properties in Brazil. The $4.4M increase in total assets at the end of Q1 2018 compared to Q4 2017 was due mostly to the $3.3M of net proceeds from Tranche I of the Private Placement which closed on March 29, 2018.

The total non-current liabilities increases every quarter due to the accretion of the gold-linked loan plus or minus the effects of gold price and foreign exchange on this loan.

6. Operational Review

a. Mara Rosa

The Company's principal asset is the Mara Rosa project which is located 335 kilometers northwest of Brasilia, the national capital of Brazil. The project is an orogenic-type gold mineralized system situated within a Neo-Proterozoic greenstone belt shear zone located near the village of Mara Rosa in the State of Goiás.

2017 Updated Pre-feasibility Study

On March 7, 2017, the Company announced the results of an updated Pre-feasibility Study ("PFS" or "Study") in accordance with NI 43-101 on the Posse gold deposit. Thereafter on May 4, 2017, the Company filed the technical report on SEDAR. The report is titled "2017 Updated Pre-Feasibility Study Posse Mine Project – Mara Rosa GO" and was prepared by SRK Consulting dated April 2017. The qualified persons of the report are Gregory Keith Whitehouse and Rubens Jose de Mendonca. Both individuals are independent of the Company.

Summary of April 2017 Resource and Reserves Estimates:

Table 3: Posse Deposit Resource @ 0.35 g/t cut-off

Category	Tonnes	Grade g/t	Ounces
Measured	10,000,000	1.70	580,000
Indicated	15,000,000	1.40	680,000
Total M & I	**25,000,000**	**1.50**	**1,260,000**
Inferred	8,500,000	1.10	310,000

Table 4: Posse Deposit Reserves @ 0.38 g/t cut-off

Category	Tonnes	Grade g/t	Ounces
Proven	9,269,000	1.81	540,567
Probable	9,745,000	1.46	456,968
Total P&P	**19,015,000**	**1.63**	**997,536**

[1] Mineral Reserves and Mineral Resources estimates have been made in accordance with the Standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").
All Mineral Resources are reported inclusive of Mineral Reserves.
Assumed gold price of US$1,200 per ounce.
Mineral Resources are reported in-situ with no dilution provision.
All Mineral Reserves employ a 97% mining recovery and 3% external dilution.
A density or tonnage factor of 2.73 tonnes per cubic metre is applied

Highlights of the contract mining scenario follow:

- initial capital expenditure (including working capital) $148M USD;
- post-tax internal rate of return (IRR) of 35.2%;
- post-tax net present value using 5% discount rate of $178M USD;
- post-tax project payback of 2.2 years;
- cash operating cost: $545/oz Au;
- all-in sustaining costs (AISC) of $627/oz Au*;
- EBITDA: Average $85.6M USD per year over first 4 years;
- average annual gold production 140,000 ounces over first 4 years;
- average Life of Mine (LOM) production 112,000 ounces per year over 8 years;

- proven and probable mineral reserves of 997,536 ounces of gold (2011: 945,000 ozs); and
- total gold recovered over LOM is 892,000 ounces- after considering dilution 3%.

The Company was granted the LP – Licença Prévia in May 2016 which was awarded by the Environmental Protection Agency and the Judicial Ministry of Brazil. It is considered the most challenging part of the permitting process and entails environmental base line, social and environmental approval along with public hearings. The Company is in the next phase of the permitting process with the objective of receiving the LI – Licença de Instalação. This license provides authorization to initiate construction. It involves fulfilment of the LP conditions; approval of the mine development plan and approval of the basic environmental plan.

b. Lavras do Sul

The Company acquired an option on the Lavras project from Rio Tinto in October 2006. Since then, Amarillo has consolidated its land position by incorporating an adjacent mineral title through an option agreement with IAMGOLD.

Located in the state of Rio Grande do Sul, approximately 320 kilometres by paved road southwest of the state capital Porto Alegre, on grazing farm land with the village of Lavras do Sul in its centre, the project exhibits excellent infrastructure. The Lavras project area now covers a total of 209 square kilometres.

The Lavras project encompasses a Neo-Proterozoic granitic intrusion that has hosted intermittent gold production since the late 1700's. Historic production progressed from soils and alluvials to hard rock oxides and sulphides in the early 1900's. Three processing plants were constructed that centralized feed from the 19 known areas of hard rock gold workings. The historic gold production during the 1930's is not known but is estimated to be in the order of 20,000 ounces/year based on records available from that period. Gold production by artisanal workers had ceased by the 1950's.

The gold mineralization is hosted in the granite complex and in the surrounding volcanics to the east. The gold mineralization is epithermal style alkaline alteration system (based on the clays present, illite and phengite, as well as micro-crystalline silica). In the west of the intrusion, gold is also associated with silver (1:1), galena and pyrite. The alteration zones in the west can comprise several square kilometres in area and appear to be structurally controlled.

In the east, the gold mineralization is hosted in veins and vein swarms located in alteration selvedges within the granite complex and the volcanics. The gold mineralization differs from the mineralization in the west as the gold is associated with higher silver (10:1), copper and arsenic.

Prior exploration by Rio Tinto (2005) and Companhia Brasileira do Cobre ("CBC") (in the 1980's) included drilling two separate prospects, Butia and Cerrito, both of which lie within 5 kilometres of the town of Lavras do Sul and are covered by old surface workings. This drilling highlighted downhole intercepts of gold mineralization at slightly less than 1 g/t over lengths of slightly more than 100 metres.

The Lavras do Sul project is comprised of more than 19 prospects centered on old gold workings or geochemical anomalies over a 12 km by 7 km area. Amarillo's plan is to systematically drill test each of these prospects; the Butia and Cerrito prospects are the first two to be systematically drilled. The Company's strategy is to establish sufficient resources in a series of different prospects to justify the construction of a central processing plant.

Butia Prospect

Of the 19 known areas of historic gold workings in the Lavras Do Sul project, Butia has received the most work. There have been three separate drill campaigns by Amarillo on this prospect. The first campaign, completed in early 2007, consisted of three holes. The encouraging results from drill hole LDH-01, 169.4m @ 1.0g/t Au, brought the drill rig back for a second drilling campaign in 2008.

Butia Initial Resource Estimate

The Company released an initial estimate of the gold resource at the Butia prospect in September 2010. Tables 5 and 6 provide resource estimates at different gold grade cut-offs - 0.3 g/t and 0.5 g/t.

Table 5: Butia Prospect Resource Estimate Using 0.3g/t Gold Cut-Off

Cut-off	Category	Tonnes	Grade	Contained Gold Oz
0.3g/t	Indicated	6,390,000	1.05	215,000
	Inferred	12,880,000	.074	308,000

Table 6: Butia Prospect Resource Estimate Using 0.5g/t Gold Cut-Off

Cut-off	Category	Tonnes	Grade	Contained Gold Oz
0.5g/t	Indicated	5,300,000	1.18	201,000
	Inferred	6,840,000	1.07	235,000

[1] Mineral Reserves and Mineral Resources estimates have been made in accordance with the Standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").
Mineral Resources are reported in-situ with no dilution provision.
A cut-off-grade of .3 gpt Au was used for resorce estimation.
A density or tonnage factor of 2.61 to 2.68 tonnes per cubic metre is applied depending on rock types.

The estimate was prepared by Atticus and Associates ("Atticus") of Lima, Peru. The report is titled "NI 43-101 Technical Report, Butia Prospect, Rio Grande do Sul, Brazil" and is dated July 30, 2010. The qualified person for the report is Anthony Amberg, a consulting geologist with 25 years' experience, a Chartered Geologist and a Fellow of the Geological Society of London who is registered as a competent person for the calculation of mineral resources and reserves by the Chilean Mining Commission.

7. Liquidity and Capital Resources

As at March 31, 2018, the Company had positive working capital of $1,032,641 compared to negative working capital of $2,032,396 as at December 31, 2017.

There was a net cash increase of $3,945,210 from $130,257 as at December 31, 2017 to $4,075,467 as at March 31, 2018. The main sources of cash in Q1 2018 were $3.9M net proceeds mostly from the issuance of 14,183,333 Units under a private placement, as discussed below, and $0.6M additional loan advanced by the Executive Chairman of the Company. These $4.5M funds plus the opening cash balance of $0.1M were used to fund operations, and expenditures in Brazil amounting to $0.5M.

Current assets at March 31, 2018 were $4,244,017 compared to a balance at December 31, 2017 of $319,362, an increase of $3,924,655 as explained above.

Current liabilities at March 31, 2018 were $3,211,376 compared to a balance at December 31, 2017 of $2,351,758, an increase of $859,618. This increase was due to the advance of $0.6M loan from the Executive chairman plus increases in accounts payable and related party payable of $290K.

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.

The Company intends to use the net proceeds from the Private Placement for advancing the Company’s mineral exploration and development projects, and for general corporate purposes. The Company believes that it has sufficient cash to execute its near term objectives on its Brazilian assets. However, additional sources of financing will be required in order to implement its plans for the development of the Mara Rosa Project and to conduct further work on its Lavras do Sul Project.

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.

8. Contingency

AGC 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 112 mineral claims acquiring approximately 50% of 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 covering approximately 1 million hectares 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”).

WPC’s financial statements for fiscal 2013 disclosed that on the closing date of sale of POML to PPC, the total TAH payments, related penalties and interest amounted to $1,549,105 with a discount rate of 12% and a payment period of five years had been accrued and accounted for. The financial statements stated that PPC would assume this obligation to the DNPM. Amarillo has not been provided with a copy of that agreement but assumed that PPC would provide POML with the funds required to pay the taxes due for 2013 and 2014. This did not occur. On October 7, 2013, POML reached a settlement with DNPM for a total gross amount of TAH payments, penalties and interest of R$ $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.

9. Share Capital

As of May 23, 2018 the Company had securities outstanding as follows:

Common Shares Issued	104,141,705
Common Share Purchase Warrants	10,590,432
Common Share Purchase Options	7,560,000

10. Investor Relations Activities

The Company did not incur any significant investor relations costs during the period.

Transactions with Related Parties and Affiliates

Table 7: Summary of Balances with Related Parties

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 (i)	**$ 80,000**	$ 23,590
Due to corporations controlled by directors (ii)	**112,925**	115,682
Due to directors (iii)	**125,000**	100,000
	$ 317,925	$ 239,272

(i) Due to Hemdat Sawh, Chief Financial Officer of the Company for consulting fees $50,000 (December 31, 2017: $20,000) and reimbursable expenses of $nil (December 31, 2017: $2,3590). Due to Mike Mutchler, President and Chief Officer of the Company for consulting fees $30,000 (December 31, 2017: $nil).

(ii) Due to Rosedale Transport Services $nil (December 31, 2017: $11,735), a Company controlled by Rowland Uloth, Executive Chairman of the Company for reimbursable expenses; and $112,925 (December 31, 2017: $103,947) for consulting fees to Lithosphere Services Inc., a Company controlled by Buddy Doyle who is a director of the Company.

(iii) Accrual of director's fees of $25,000 each to David Birkett (December 31, 2017: $20,000), Rostilav Raykov (December 31, 2017: $20,000), Stephen Stow (December 31, 2017: $20,000), Colin Sutherland (December 31, 2017: $20,000) and Rowland Uloth (December 31, 2017: $20,000).

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

A description of the loans made by Mr. Uloth to the Company is located in Section 3(a) of this MD&A.

Table 8: Summary of Transactions with Related Parties

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 officers (i)	**$ 60,000**	$ 22,750
Consulting fees charged by directors' and officers' corporations (ii)	**8,550**	171,250
General and administrative expenses charged by directors' corporations	**-**	26,823
Director fees and expenses (included in management and consulting fees) (iii)	**25,000**	10,000
	$ 552,838	$ 230,823

(i) Scott Eldridge, former Chief Financial Officer of the Company, $nil (2017: $22,750); Hemdat Sawh, current Chief Financial Officer of the Company, $30,000 (2017: $nil); Mike Mutchler, President and Chief Officer of the Company for consulting fees $30,000 (2017: $nil)

(ii) Lithosphere Services Inc. $8,550 (2017: $161,250); Rick Brown $nil (2017: $10,000).

(iii) Director fees: David Birkett $5,000 (2017: $nil), Rostilav Raykov $5,000 (2017: $nil); Stephen Stow $5,000 (2017: $nil); Colin Sutherland $5,000 (2017: $nil), Rowland Uloth $5,000 (2017: $nil), and Patrick Power $nil (2017: $10,000);

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.

11. 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).

12. Additional Disclosure for Venture Issuers without Significant Revenue

a. Capitalized Deferred Exploration Expenses

The following schedule (Table 9) summarizes the expenses deferred on the active projects as disclosed in Note 7 of the consolidated financial statements for the three months ended March 31, 2018 and the year ended December 31, 2017.

Table 9: 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

	Mara Rosa	Lavras do Sul	March 31, 2018	December 31, 2017
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

13. Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- ***The recoverability of resource properties and deferred exploration expenditures.***

The uncertainty in regards to the recoverability of resource properties arises as a result of the estimates and judgments such as forecasts of metal prices, operating costs, capital costs and income taxes among numerous other valuation inputs, discount rates, comparability of the Company's properties to those of other market participants and the selection of market-participant assumptions used in the determination of fair value.

As at March 31, 2018, management had determined that no impairment of resource properties was required.

14. 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.

15. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

16. Controls and Procedures

a. Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The consolidated financial statements were prepared by the Company's management in accordance with IFRS accounting principles. The consolidated financial statements include certain amounts based on the use of estimates and assumptions. Management established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

b. Disclosure Controls and Procedures

Management has evaluated the effectiveness of our disclosure controls and procedures and has concluded that, based on our evaluation, they are sufficiently effective as of March 31, 2018, to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

c. Management's Report on Internal Control over Financial Reporting

Pursuant to Multilateral Instrument 52-109 management has evaluated the effectiveness of the Company's disclosure controls and procedures as at March 31, 2018, and found them to meet required standards. A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board's review is accomplished principally through the audit committee, which meets periodically with management and auditors to review financial reporting and control matters. From time to time the Board may also form special sub-committees, which must investigate and report to the Board on specific topics.

17. 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 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 and the year ended December 31, 2017. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

18. 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.

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	**$ 130,257**	$ 130,257
Loans and receivables		
Accounts receivable, excludes HST/GST …… receivable	**$ 59,728**	$ 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)

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.

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 expenses, 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 to the condensed interim consolidated financial statements for the period ended March 31, 2018. 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.

- 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 the three months period ended March 31, 2018 and 2017.
- 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).

- 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).

19. Other Risks and Uncertainties

The operations of the Company are speculative due to the high risk nature of its business which is the exploration and development of mineral properties. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking information relating to the Company. Investors and prospective investors should give careful consideration to all of the information contained in this MD&A, including the risk factors set forth below. It should be noted that this list is not exhaustive and that other risk factors may apply, including risks described elsewhere herein, risks not currently known to the Company and risks that the Company currently deems immaterial. Any one or more of these risk factors could have a material adverse effect on the Company's business, results of operations, financial condition and the value of its securities.

Nature of Mineral Exploration

The exploration for and development of mineral deposits involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenditures may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a site. As a result, the Company cannot provide assurance that its exploration or development efforts will result in mining operations.

Mineral Resource and Mineral Reserve Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve estimate is a function of the quality of available data and of the assumptions made and judgements used in engineering and geological interpretation.   Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operations.

Safety, Health and Environmental Regulations

Safety, health and environmental legislation affects nearly all aspects of the Company's activities. Compliance with safety, health and environmental legislation can require significant expenditures and failure to comply with such safety, health and environmental legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from the Company's existing activities, but from operations that have been closed. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurances that the Company will at all times be in compliance with all safety, health and environmental regulations or that steps to achieve compliance would not materially adversely affect the Company’s business.

Economic Conditions

General levels of economic activity and recessionary conditions may have an adverse impact on the Company's business.

Market events and conditions, including the disruptions in the international credit markets and other financial systems, the deterioration of global economic conditions in 2008 and 2009 and, more recently, in Europe, along with political instability in the Middle East and budget deficits and debt levels in the United States, have caused significant volatility to commodity prices. These conditions have also caused a loss of confidence in the broader United States, European and global credit and financial markets and resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers and created a climate of greater volatility, less liquidity, widening credit spreads, less price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments and concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially in recent years.

The Company is also exposed to liquidity and various counterparty risks, including, but not limited to: (i) financial institutions that hold the Company’s cash and cash equivalents; (ii) companies that have payables to the Company; (iii) the Company’s insurance providers; (iv) the Company’s lenders; (v) the Company’s other banking counterparties; and (vi) companies that have received deposits from the Company for the future delivery of equipment and/or other operational inputs. The Company is also exposed to liquidity risks in meeting its capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. Furthermore, repercussions from the 2008-2009 economic crisis continue to be felt, as reflected in increased levels of volatility and market turmoil. As a result of this uncertainty, the Company’s planned growth could either be adversely or positively impacted and the trading price of the Company’s securities could either be adversely or positively affected.

Gold Price Volatility

The profitability of the Company’s operations may be significantly affected by changes in the market price of gold. The economics of developing gold are affected by many factors, including the cost of operations, variations in the grade of ore mined and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to commence or continue commercial production.

The price of gold fluctuates widely and is affected by numerous industry factors beyond the Company's control, such as the demand for precious metals, forward selling by producers and central bank sales and purchases of gold. Gold price is also affected by macro-economic factors, such as expectations for inflation, interest rates, the world supply of mineral commodities, the stability of currency exchange rates and global or regional political and economic situations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of gold has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

Any significant drop in the price of gold adversely impacts the Company's revenues, profitability and cash flows. In addition, sustained low gold price may:

- reduce production revenues as a result of cutbacks caused by the cessation of mining operations involving deposits or portions of deposits that have become uneconomic at the prevailing price of gold;
- cause the cessation or deferral of new mining projects;
- decrease the amount of capital available for exploration activities;
- reduce existing reserves by removing ore from reserves that cannot be economically mined at prevailing prices; or
- cause the write-off of an asset whose value is impaired by the low price of gold.

There can be no assurance that the price of gold will remain stable or that such prices will be at a level that will prove feasible to begin development of its properties, or commence or continue commercial production, as applicable.

Currency Fluctuations

Currency fluctuations may affect costs at the Company's operations. Gold is sold throughout the world based principally on a U.S $ price, but the Company's operating expenses are in Cdn $. Any appreciation of the Cdn $ against the U.S $ could negatively affect the Company's profitability, cash flows and financial position.

Title Matters

The acquisition of title to mining claims and similar property interests is a detailed and time consuming process. Title to and the area of mining claims and similar property interests may be disputed. The Company has investigated title to all of its material mineral properties and the Company believes that title to all of its material properties are in good standing; however, the foregoing should not be construed as a guarantee of title to those properties. Title to those properties may be affected by undisclosed and undetected defects. For example, certain properties may have been acquired in error from parties who did not possess transferable title, may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

Dilution to Common Shares

As of May 23, 2018 there were stock options and share purchase warrants outstanding to purchase 18,150,432 common shares in the capital of the Company. The common shares issuable under these options, if fully exercised, would constitute approximately 15% of the Company's resulting share capital. The exercise of such options and warrants the subsequent resale of such shares in the public market could affect the prevailing share market price and the Company's ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional common shares and the Company may grant additional share purchase warrants and stock options.

The issuance of additional common shares from time to time may have a depressive effect on the price of the common shares of the Company. In addition, as a result of such additional common shares, the voting power of the Company's existing shareholders will be diluted.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price that would have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Additional Funding Requirements

Further exploration on, and development of, the Company's properties, will require additional capital. In addition, a positive production decision on any of the Company's development projects would require significant capital for project engineering and construction. Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing or other means.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company on acceptable terms, or at all, for further exploration or development of its properties or projects, or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding or financing could result in the delay or indefinite postponement of the exploration and development of the Company's properties, with the possible dilution or loss of such interests.

Long Term Debt

The Company's ability to repay its debt obligations, depends on the Company's ability to successfully develop its properties and operate them profitably and which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to repay its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debts, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternatives may not allow the Company to meet its scheduled debt service obligations.

Impairment of Assets

In accordance with IFRS, the Company capitalizes certain expenditures relating to its mineral projects. From time to time, the carrying amounts of mineral properties are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level.

Events that could, in some circumstances, lead to an impairment include, but are not limited to, changes to gold price or cost assumptions, changes to Mineral Reserve or Mineral Resource grades or the Company's market capitalization being less than the carrying amounts of its mining properties and plant and equipment.

The assessment requires the use of estimates and assumptions such as, but not limited to, long-term gold prices, foreign exchange rates, discount rates, future capital requirements, Mineral Reserve and Mineral Resource estimates, operating performance as well as the definition of cash generating units. It is possible that the actual fair value could be significantly different from those assumptions, and changes in the assumptions will affect the recoverable amount. In the absence of any mitigating valuation factors, the Company's failure to achieve its valuation assumptions or a decline in the fair value of its cash generating units or other assets may, over time, result in impairment charges.

If the Company determines that an asset is impaired, the Company will charge against earnings any difference between the carrying amount of the assets and the estimated fair value less cost to sell those assets. Any such charges could have a material adverse effect on the Company's results of operations.

Reliance on Management

The Company is heavily reliant on the experience and expertise of its executive officers. If any of these individuals should cease to be available to manage the affairs of the Company, its activities and operations could be adversely affected.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities in its search for, and the acquisition of, mineral properties as well as the recruitment and retention of qualified employees with technical skills and experience in the mining industry. There can be no assurance that the Company will be able to compete successfully with others in acquiring mineral properties, obtaining adequate financing and continuing to attract and retain skilled and experienced employees. Existing or future competition in the mining industry could materially adversely affect the Company's business and prospects for mineral exploration and success in the future.

Skilled Employees

Many of the projects undertaken by the Company rely on the availability of skilled labour and the capital outlays required to employ such labour. The Company employs full and part time employees, contractors and consultants to assist in executing operations and providing technical guidance. In the event of a skilled labour shortage, various projects of the Company may not become operational due to increased capital outlays associated with labour. Further, a skilled labour shortage could result in operational issues such as production shortfalls and higher mining costs.

Information Systems

Although the Company has not experienced any material losses to date relating to cyber attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Title to Mineral Claims

The Company's properties may be subject to prior recorded and unrecorded agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Title insurance is generally not available for mineral properties, and Company's ability to ensure that it has obtained a secure claim to individual mining properties or mining concessions may be severely constrained. Company has not conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties. No assurance can be given that Company's rights will not be revoked or significantly altered to its detriment. There can also be no assurance that its rights will not be challenged or impugned by third parties.

Political Stability and Government Regulations in Brazil

The Company holds mineral interests in Brazil that may be affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Brazil. Any changes in regulations or shifts in political conditions are beyond Company's control and may adversely affect its business. Company's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Company's operations may also be adversely affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

Additional Business and Financial Risks Inherent in Doing Business in Brazil

The Company's principal operations and mineral properties are located in Brazil. There are additional business and financial risks inherent in doing business in Brazil as compared to the United States or Canada. Since 1996, Transparency International has published the "Corruption Perceptions Index" ("CPI") annually ranking countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. The CPI ranks countries on a scale from 100 (very clean) to 0 (high corrupt). In 2016 and out of 176 countries in the World, Canada was ranked 9th with CPI score of 82, the United States was ranked 18th with a CPI score of 74, and Brazil was ranked 79th with a CPI score of 40. For North and South America, the average score on the 2016 Corruption Perceptions Index was 44 out of 100. Anything below 50 indicates governments are failing to tackle corruption and it represents a challenge in those countries requiring extra attention by those who conduct business there. Corruption does not only occur with the misuse of public, government or regulatory powers, it also can occur in business's supplies, inputs and procurement functions (such as illicit rebates, kickbacks and dubious vendor relationships) as well as the inventory and product sales functions (such as inventory shrinkage or skimming). Employees as well as external parties (such as suppliers, distributors and contractors) have opportunities to commit procurement fraud and other wrongs against the Company. While corruption, bribery and fraud risks can never be fully eliminated, the Company reviews and implements controls to reduce the likelihood of these irregularities occurring.

Company is Subject to Significant Governmental Regulations

The Company's mining and exploration activities are subject to extensive local laws and regulations. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, who may require operations to cease or be curtailed, or corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of such requirements, could have a material adverse impact on Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties. Company's operations are subject to numerous governmental permits, which are difficult

Permitting

Government approvals and permits are sometimes required in connection with the Company's operations. Although the Company believes it has all of the material approvals and permits to carry on its activities, the Company may require additional approvals or permits or may be required to renew existing approvals or permits from time to time. Obtaining or renewing approvals or permits can be a complex and time-consuming process. There can be no assurance that the Company will be able to obtain or renew the necessary approvals and permits on acceptable terms, in a timely manner, or at all. To the extent such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration, development or mining of mineral properties. Under current regulations, all exploration activities that the Company undertakes through its subsidiaries must be carried out on valid exploration licences or prospecting permits issued by the DNPM, a department of the Brazilian federal government. The DNPM is responsible for the administration of all mining and exploration licences, and prospecting permits. According to local regulations, the Company must submit a final exploration report before the expiry date of any licence or permit, which is usually three years from the date of grant. However, Brazilian mining laws and regulations are currently undergoing a major restructuring, and draft legislation to this effect has been submitted to the federal legislature for review and approval. The effects of this restructuring will, if adopted, be far-reaching in the ways that mining rights can be acquired and maintained in the country. Current proposals include an auction process for new licences, minimum expenditures designed to eliminate the "warehousing" of mining permits and licences as well as new fee schedules. They also provide for land owner participation where applicable. It is the Company's understanding, based on consultations with local counsel, that licences currently held in good standing will be grandfathered and not subject to certain requirements of the proposed new regime. Mining operations currently pay a 1% royalty fee to the Brazilian government (the "CFEM"), on the value of the ore produced. However, and as mentioned above, the Brazilian government is currently considering the adoption of new mining legislation that would include increases in the CFEM royalties. Environmental permits are granted for one to two-year periods and all local agencies have the right to monitor and evaluate compliance with the issued permits even though such monitoring tends to be minimal in scope and nature. Any changes to the exploration activities that result in a greater environmental impact require approval. The work the Company carries out on its exploration licences is largely restricted to drilling and ancillary activities associated with the drilling programs (i.e., low impact road construction, drilling stations). As such, the reclamation costs in respect of drilling activities are not material to the Company and are factored into the budget for exploration programs.

Contingency

As referred to earlier in the portion of this MD&A entitled “Contingency”, the Company expects that WPC will pay all of the costs and expenses related to the overdue TAH taxes and related late payment penalties. However, there is a risk that WPC may not promptly make these payments or that WPC only makes these payments after the Company is required to commence legal proceedings against WPC and obtain an enforceable judgment against WPC. There is also a risk that WPC may have a significant change in its financial circumstances and become unable to pay the amounts owed. Accordingly, there are possible future circumstances that could transpire that would result in the Company having to pay the TAH taxes and penalties and not be able to recover these expenses and all related costs from WPC as stipulated in the Services Agreement.

20. Cautionary Note Regarding Forward Looking Information

This MD&A contains certain forward-looking statements and information relating to Amarillo 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 MD&A.