MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2019

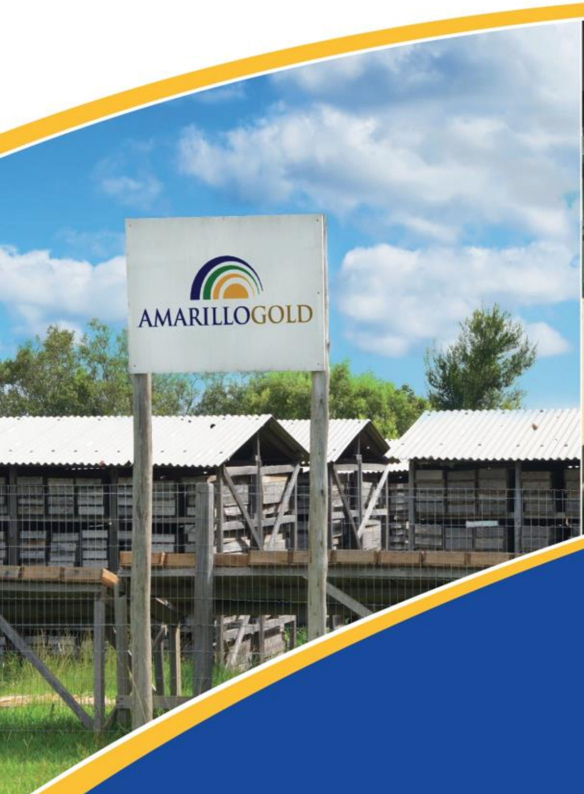


TABLE OF CONTENTS
AMARILLO GOLD CORPORATION

Note 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 interim consolidated financial statements for the three months ended March 31, 2019, 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 described at the end of this MD&A. All figures are in Canadian dollars unless otherwise noted. The discussion and analysis within this MD&A are effective as of May 30, 2019.

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.

Note 2 Business Overview

Amarillo is developing an open pit gold resource at its Mara Rosa Project in the mining friendly jurisdiction of Goias State in Brazil. An Updated Pre-Feasibility Study -NI 43-101 technical report (Updated PFS) for the Mara Rosa Project was filed on SEDAR on November 21, 2018.

As reported in the Updated PFS, the Mara Rosa Project contains 513,000 ounces of gold in the Proven category from 9.6 million tonnes (Mt) at 1.65 g/t Au, and 574,000 ounces in the Probable category from 14.2 Mt at 1.46 g/t Au, for total Reserves of 1,087,000 ounces from 23.8 Mt at 1.42 g/t Au. Mara Rosa was awarded its Preliminary License (LP), which provides the social and environment permission to mine, in May 2016 with a 5 year expiry in May 2021. The Company is now progressing towards completing a Feasibility Study (FS) and obtaining an Installation License (LI), which will authorize the construction of the project.

In addition to the Mara Rosa Project, Amarillo has an advanced exploration project with excellent grades at Lavras do Sul, Brazil. A Mineral Resource Estimate Study (NI 43-101 technical report) for the Butia prospect at Lavras do Sul was filed on SEDAR on October 4, 2010. The Lavras do Sul Project is an advanced exploration stage property (190 sq. km.) comprising of more than 22 prospects centered on historic gold workings.

The initial resource estimate at the Butia prospect reported 215,000 ounces of gold in the Indicated category from 6.4 Mt at 1.05 g/t Au, and 308,000 ounces of gold in the Inferred category from 12.9 Mt at 0.74 g/t Au using a 0.3 g/t cut-off grade. Both projects have excellent nearby infrastructure.

Note 3 Company Highlights

(A) ACTIVITIES IN Q1 2019

Initiated Feasibility Study at Mara Rosa; Completed Drilling and Initiated FS Resource

- In January 2019 the Company engaged SRK, Ausenco and GeoHydroTech Engenharia to initiate the work required to complete the Feasibility Study (FS).
- On February 12, 2019, the Company published the results of its drill program concluded at Mara Rosa.
- In January 2019, the Company commissioned Australian Exploration Field Services (AEFS) to provide the FS resource for Mara Rosa.
- The Company continued with land acquisition at Mara Rosa by purchasing a 189 hectare parcel. This brings the total lands purchased to 339 hectares of the 1,000 total hectares required for the project.

Related party loan

On March 29, 2019, the Executive Chairman of the Company agreed to provide a $1,000,000 facility (the “Facility”) to be drawn down from time to time. The Facility is unsecured, due and payable on demand and bears interest at 6% per annum. At the election of the lender, the Facility plus accrued interest can be converted into shares of the Company in the event of an equity financing at the same price and terms per unit offered to subscribers. As at March 31, 2019, $500,000 was drawn under this Facility. On May 1, 2019, a further $500,000 was drawn on this Facility.

Subsequent event – Private placement announcement

On May 15, 2019, the Company announced that it is proposing to complete a non-brokered private placement (the “Private Placement”) of units (“Units”) at a subscription price of $0.20 per Unit for aggregate gross proceeds to the Company of up to $5,000,000. Each Unit is comprised of one common share (each, a “Common Share”) and one Common Share purchase warrant (each, a “Warrant”). Each Warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.30 for a period of 24 months following the date of issue, subject to customary adjustment provisions. The Company has obtained commitments from interested parties including insiders and expects to complete the Private Placement shortly. The Company may increase gross proceeds of up to $6M if demand so justifies it.

(B) MARA ROSA PROJECT

The Company proposes a single open pit mined by conventional shovel and truck methods at a nominal ore mining rate of 2.5 to 3 Mtpa for approximately eight years. A total of 139 Mt of material will be mined to produce 24 Mt of ore (strip ratio of 4.8: 1). The project will employ contract mining with conventional open-pit mining using drill and blast, hydraulic excavators, haul trucks, and auxiliary mobile equipment to support the mining operation.

The processing plant will consist of a conventional crushing circuit (including tertiary crushing) followed by primary and then secondary milling in closed circuit with cyclones. The final pulp at a P80 of 45 µm is pre-oxidized in agitation tanks using oxygen gas from a PSA oxygen plant at a high pH of 12 for a total of 12 hours to oxidize tellurides to enable successful cyanidation of the gold. The pulp is contacted with cyanide and activated carbon in a typical CIL circuit of six agitated tanks for a total of 24 hours.

Loaded carbon is extracted daily from the CIL circuit and processed in a typical Zadra style elution circuit at up to 140° C with a 4 tonne capacity. The eluted solution is passed continuously to the electrowinning cells until efficient desorption has been achieved. At intervals the gold is removed from the cells and smelted into Doré bars for refining and sale. The activated carbon is regenerated in a gas fired rotating kiln before being sent back to the CIL circuit.

The tails from the CIL circuit is thickened to recover some of the solution before the thickened pulp is subjected to detoxification with SO_2/air and a copper sulphate catalyst to destroy free cyanide before being pumped to a tailings storage facility (TSF). The supernatant from the TSF is recirculated to the plant under conditions of zero discharge.

The Project benefits from good infrastructure development with the planned mine-site layout facilitating a compact design with pit-proximal process plant, TSF and waste dump. There is a railway within 1.5 km of the pit, a major national highway 11 km away and Mara Rosa, a small town of 12,000 people, 5 km away. A 4 km gravel road connects the deposit to a recently asphalted state highway. Electrical power for the project operations will be provided by installing a 64 km long, 138 kV power line. The present 64 kV power line does not contain enough excess capacity to be used during construction period.

The Company was granted the Preliminary License (LP) 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 License to Install (LI). 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.

2018 updated pre-feasibility study

On September 13, 2018, the Company filed on SEDAR the results of the Updated PFS in accordance with NI 43-101 on the Mara Rosa gold deposit. The report is titled **"Technical Update on The Posse Gold Project, Brazil, September 2018"** and was prepared by SRK Consulting) Pty Ltd (SRK) dated September 12, 2018. The qualified persons of the report are Anthony Stepcich of SRK and Keith Whitehouse of Australian Field Exploration Services Pty Ltd (AEFS). Both individuals are independent of the Company. This Updated PFS was then updated for the results of the site visit by SRK and refiled on SEDAR on November 21, 2018.

Highlights:

- **After tax internal rate of return (**IRR) of **51%** at US$1,300/oz gold (Au)
- After **tax net present value (NPV5%)** of **US$244 million** at **US$1,300/oz Au** and a USD/BRL exchange rate of 3.60 (US$198M at US$1,200/oz)
- After tax project payback of **1.0 year** at US$1,300/oz Au
- Average annual gold production **144,000 oz** over first **4** years

- Average life of mine (LOM) production **123,000 oz** per year over **8 years**, and total production of **985,000** ounces after **91%** recovery
- LOM cash operating cost of **US$545/oz** Au, and all-in sustaining cost (AISC*) of **US$655/oz** Au
- Upfront capital expenditure of **US$123M**
- Updated Proven and Probable Reserves of **1,087,000 oz** - 23.8 million tonnes (Mt) @ **1.42 g/t Au**
  - Proven **513,000 oz** – 9.6 Mt @ **1.65 g/t** Au, and
  - Probable **574,000 oz** -14.2 Mt @ **1.26 g/t** Au

Note: * AISC: Total cash operating cost + Royalties + Transportation & Refining + Sustaining Capital + Closure + Corporate G &A

Table 1: Project Sensitivity to Gold Price

Au price	**US$/oz**	$1,000	$1,100	$1,200	**$1,300**	$1,400	$1,500
IRR	**%**	23%	33%	42%	**51%**	59%	68%
Payback Period	**Years**	1.7	1.4	1.2	**1.0**	0.9	0.8
NPV0% (After Tax)	**US$M**	138	202	263	**324**	386	447
NPV5% (After Tax)	**US$M**	91	144	194	**244**	295	345
NPV7.5% (After Tax)	**US$M**	73	121	167	**213**	259	305
NPV10% (After Tax)	**US$M**	57	101	143	**185**	228	270

SRK was retained by Amarillo to review and update the 2011 PFS and the 2017 PFS Update for the Project, which is located in the municipality of Mara Rosa in the state of Goias, Brazil, 360 km to the north of the state capital Goiania. The Project consists of an open pit mine and related processing facilities for approximately 24 million tonnes of ore at a rate of 2.5 – 3.0 million tonnes per year (Mtpa).

The 2011 PFS for the Project was originally prepared by Coffey Consultoria e Serviços Ltda (Coffey). The 2017 PFS Update was prepared and led by SRK Consultores do Brasil Ltda in collaboration with ONIX Engineering & Consulting, both based in Belo Horizonte, Brazil. Both reports are filed on SEDAR and are available on our website www.amarillogold.com. The resource statement was supplied by AEFS out of Bendigo, Australia. Both ONIX and AEFS were involved in the 2011 and 2017 studies. The updated 2018 PFS replaces and supersedes the 2016 mineral resource estimate and the reserves and economic model used in the 2011 and 2017 studies.

The main alterations that serve as justification for this update are:

- Incorporates the scheduling opportunities and alternative grinding size options identified in a Whittle Consulting Enterprise Optimization Study
- Updates the 2016 mineral resource estimate to correct a topography misalignment between the historical open pit mine floor and in-pit dump
- Updates the gold price to $1,300/oz
- Updates Plant Capex and Opex to reflect a local exchange rate of R$3.60 to the US dollar

Mineral resource estimate

Recent pit and mine optimization work on the Mara Rosa Project conducted by Whittle Consulting has indicated that some material will be economic to mine at a cut-off grade of 0.216 g/t Au. Accordingly, the cut-off grade used for the Mineral Resource Estimate has been lowered to 0.2 g/t Au to ensure that all blocks which may be brought into mineral reserves are included in the resource.

Table 2: Mineral Resource Estimate

Category	Tonnes (Mt)	Grade Au (g/t)	Ounces Au (oz)
Measured Mineral Resource	12	1.40	560,000
Indicated Mineral Resource	19	1.20	710,000
Total of Measured and Indicated Mineral Resource	**31**	**1.30**	**1,270,000**
Inferred Mineral Resource	11	0.92	330,000

Table 2 Notes:
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves.
- Due to rounding numbers may not sum.

Mineral reserve estimate

The Mineral Resource Model was diluted into a Mining Model utilising the following parameters:
- Ore Loss of 3%
- Dilution of ore of 3%, dilutive material grading 0.16 g/t
- A variable cut-off grade was utilized based on the grind-throughput-recovery (GTR) of the Mill.

The Reserve Model assumes highly selective mining in the mineralized zones.

Table 3: Mineral Reserve Estimate

Ore Reserve	Diluted Tonnes	Diluted Grade	Contained Au	Estimated Au	Recoverable Au
	(Mt Dry)	(g/t)	(oz)	Recovery (%)	(oz)
Proven	9.6	1.65	513,000	90.4	464,000
Probable	14.2	1.26	574,000	90.8	521,000
Total Mineral Reserve	**23.8**	**1.42**	**1,087,000**	**90.6**	**985,000**

Table 3 Notes:
- Mineral Reserves stated above are contained within and are not additional to the Mineral Resource.
- Due to rounding numbers may not sum.

In May 2018, the Company launched an in-fill drilling program at Mara Rosa in an attempt to convert Inferred Resources into Measured and Indicated Resources to be included in the FS mine plan. A total of 16,490 m from 64 drill holes were completed from May 2018 until February 2019. The results of this drilling will now be incorporated into the FS resource.

Three-year extension of mining concession

In December 2018, the Company announced that it had received approval from the Brazilian ANM (Agência Nacional de Mineração, formerly known as the DNPM or National Department of Mining Production) for another three year extension of its mining concessions for the Posse gold deposit (Mara Rosa Project) until July 1, 2020. The approval allows for the continued delay of mining activities, thereby preserving the mining status of these historical mining concessions and to allow for the completion of a FS, Basic and Detailed Engineering, and for application for the LI.

Feasibility study launch

In January 2019, the Comapny launched a kick off meeting with SRK, Ausenco and GeoHydroTech Engenharia who will be conducting the work required to complete the FS for the Company´s Mara Rosa gold Project in Goiás State, Brazil.

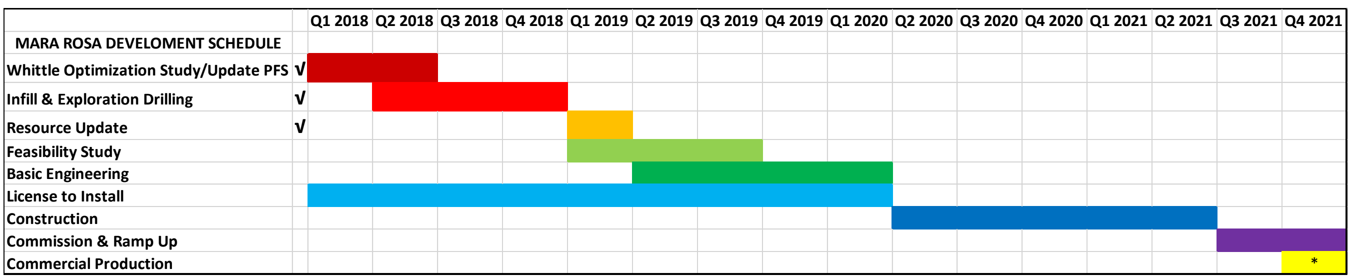
SRK, which completed the last two PFS on Mara Rosa, will be the lead company, bringing together the overall report, the financial model and the mine plan, while Ausenco will be responsible for the basic engineering of the plant and infrastructure, and GeoHydroTech Engenharia will complete the design of the tailings facility.

Ausenco has considerable project construction experience in Brazil including Beadell´s Tucano mine and current EPCM execution of Equinox Gold´s Aurizona mine. GeoHydroTech Engenharia, a well-known Brazilian company, has worked for Kinross´s Paracatu mine as well as the recent Avanco Antas project.

The updated mineral resource was announced on March 25, 2019 which was followed with the launching of the FS in early 2019. Following the FS and Basic Engineering, Amarillo plans to make application for the LI with construction of the Mara Rosa Gold Mine anticipated in 2020.

Timeline of planned activities

Table 4: Timeline Planned Activities at Mara Rosa



Property Acquisitions

During 2018 the Company acquired 150 hectares of properties which will be affected by the planned mining operations at Mara Rosa. In March 2019, the Company acquired another 189 hectares, bringing the total hectares acquired to 339 of the total 1,000 hectares required. The Company's strategy is to acquire lands at opportune prices when available as we move towards application to obtain the LI.

(C) LAVRAS DO SUL ("LDS") PROJECT

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.

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 being conducted on the Butia property this year as requested by the DNPM. Additional exploration work consisting of soil sampling, trench sampling and airborne magnetic surveying is being conducted on properties adjacent to the Butia project in an effort to explore for an extension of the Butia deposit.

In Q2 2018, the Company launched a 1,000 line kilometers UAV magnetic survey over LDS. The results of this survey have been compiled and will help quide future drilling programs in this area. Exploration work on several other properties in the LDS area was conducted in 2018 to maintain the exploration permits.

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

Note: 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 resource 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 persons for the report are Antony John Amberg and Simon Mortimer. Antony John Amberg is 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, Registration Number 0025. Simon Mortimer is a Professional Geologist and member of the Australian institute mining and metallurgy, Registration Number 300947.

Note 4 Financial Results

Table 7 summarizes the Company's major operating expense categories for the first quarter of 2019 and 2018 ("Q1 2019" and "Q1 2018").

Table 7: Amarillo's Expenses and Loss

	Three Months ended March 31	
	2019	2018
	($)	($)
General and administrative		
Consulting	**57,900**	36,050
Professional	**162,424**	93,828
Salaries/benefits and management fees	**177,647**	105,244
Directors' fees	**25,000**	25,000
Marketing and promotion	**70,282**	54,163
Filing and transfer agent	**11,055**	16,570
Travel	**7,706**	38,672
Other G&A	**73,883**	49,934
Total G&A	**585,897**	419,461
Stock-based compensation	**48,111**	788,131
Foreign exchange (gain) loss	**(15,864)**	19,071
Interest and finance charges	**1,724**	23,622
Write-off of accounts payable	**-**	(138,816)
Subtotal before other items	**619,868**	1,108,469
Items related to gold loans	**-**	846,804
Loss before tax	**619,868**	1,958,273
Deferred tax expense	**-**	110,000
Net loss	**619,868**	2,068,273

Q1 2019 compared to Q1 2018

For the three months ended March 31, 2019, the Company recorded a loss of $619,868 (Q1 2018: $2,068,273) as a result of the following:

- Consulting fees of $57,900 in Q1 2019 (Q1 2018: $36,050) increased by $21,850 and consisted of marketing consultant of $12,000 (Q1 2018: $12,000); fees to former CEO of $Nil (Q1 2018: $24,050); chief exploration geologist $10,000 (Q1 2018: $Nil) who was hired in mid-2018; and financial advisory services $51,200 (Q4 2017: $17,500) paid to various consultants.

- Professional fees of $162,424 in Q1 2019 (Q1 2018: $93,828) consisted of $49,393 (Q1 2018: $58,153) in Canada and the remaining $113,031 (Q1 2018: $35,675) were in Brazil. The Brazil fees in Q1 2019 increased due to legal and consulting related to land acquisitions and corporate structure.

- Salaries/benefits of $177,647 in Q1 2019 (Q1 2018: $105,244) consisted of $132,593 (Q1 2018: $60,000) in Canada and $45,054 (Q1 2018: $45,244) in Brazil. Salaries in Canada relate to the CEO of $75,000 (Q1 2018: $30,000) and the CFO of $50,000 (Q1 2018: $30,000) plus government related benefits.

- Directors' fees in Q1 2019 were $25,000 (Q1 2018:$25,000). Directors other than the CEO are paid an annual fee of $20,000. In both Q1 2019 and 2018 there were five directors whose fees of $5,000 each were accrued.

- Marketing and promotion of $70,282 in Q1 2019 (Q1 2018: $54,163) increased by $16,119 as the Company embarked on its program of increased marketing activities, including attendance at trade shows, meeting with existing and potential investors in North America and the hiring of a professional market maker in October 2018.

- Filing and transfer agent expenses of $11,055 in Q1 2019 (Q1 2018: $16,570) decreased by $5,515. There were more filing fees in Q1 2018 due to the grant of stock options, whereas in Q1 2019 there were no stock option grants

- Travel expenses of $7,706 in Q1 2019 (Q1 2018: $38,672) decreased slightly by $30,966 due to reduced travel to Brazil.

- Other general and administrative expenses of $73,883 in Q1 2019 (Q1 2018: $49,934) include $61,873 (Q1 2018: $35,916) related to operations in Brazil, and $12,010 (Q1 2018: $14,017) related to head office in Canada.

- Stock-based compensation of $48,111 in Q1 2019 (Q1 2018: $788,131) decreased by $740,020. There were no stock option grants in Q1 2019. In Q1 2018 a total of 4,590,000 stock options were granted most of which vested immediately. The Q1 2019 stock compensation relate to unvested options granted in all of 2018.

- Items related to the gold loans which include accretion and gains/losses do not exist in Q1 2019 (Q1 2018: loss of $846,804) as these loans were repaid in Q3 2018.

Note 5 Summary Quarterly Financial Results

Table 8 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 8: Summary Quarterly Financial Results

	Q2 2018 ($)	Q3 2018 ($)	Q4 2018 ($)	Q1 2019 ($)
Net (loss) income	(975,987)	(1,420,613)	594,752	(619,868)
Total assets	39,767,647	27,972,806	29,379,635	29,110,189
Total non-current liabilities	949,495	1,064,495	1,407,357	1,222,294
(Loss) income per share	(0.01)	(0.01)	0.01	(0.01)
	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)

Variations in net loss/income

The significant variations in net loss for each quarter was mostly due to the effects of gold price and foreign exchange on the gold linked loans which can revert from a gain to a loss from one reporting period to the next. The effects of the gold linked loans do not appear in reporting periods after Q2 2018 as they have been fully retired on July 27, 2018 at the amounts recorded as at June 30, 2018. Stock-based compensation expense fluctuates based on the timing of stock option grants. The Q4 2018 income is related to the reduction of the deferred tax liability of $1,064,495 as at Q3 2018 to $Nil as at December 31, 2018. All of the other items included in the losses per quarter may vary from period to period. The Q1 2019 loss of $619,869 is fairly indicative of quarterly operations.

Quarterly variations in the balance sheet

Q1 2018

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 increased every quarter (until Q2 2018) due to the accretion of the gold-linked loans plus or minus the effects of gold price and foreign exchange on these loans.

Q2 2018

The $1.1M increase in total assets at the end of Q2 2018 compared to Q1 2018 was due mostly to capitalization of exploration expenditures. There was an increase in cash of $13.9M in Q2 2018 however this increase was offset by the reduction of exploration properties by $14.2M from the sale of royalty on the Mara Rosa property at the end of Q2 2018.

The total non-current liabilities decreased by $11.1M in Q2 2018 compared to Q1 2018 as the gold linked loans, which were previously reported as long term liabilities, with a balance of $11.2M were recorded as current liabilities since they were fully settled on July 27, 2018.

Q3 2018

Total assets declined by $11.8M from Q2 2018 to Q3 2018. There was decrease in cash of $13.0M in Q3 2018 due to the repayment of gold linked loans which were settled mostly with cash of $9.7M and the $1.6M repayment of loan from the Executive Chairman. In addition, $1.2M cash was used in operations and cash $0.7M were spent on Mara Rosa and Lavras do Sul. The reduction in cash was offset by the capitalization of $1.3M incurred on Mara Rosa and Lavras do Sul which include cash of $0.7M and non-cash $0.6M through the issuance of shares to settle payables related to Mara Rosa.

The total non-current liabilities increased by $0.1M in Q3 2018 compared to Q2 2018 due to the increase in deferred tax liability.

Q4 2018

Total assets increased slightly by $1.4M from Q3 2018 to Q4 2018. There was a decrease in cash of $2.6M in Q4 2018 of which $0.4M cash was used in operations and $2.2M was spent mostly on Mara Rosa. The reduction in cash was offset by the capitalization of $2.2M spent on Mara Rosa and Lavras do Sul; and $2.0M capitalization of concession fees payable to the DNPM relating to the Western Potash litigation.

The total non-current liabilities increased by $0.3M in Q4 2018 compared to Q3 2018 due to the decrease in deferred tax liability by $1.1M and the increase in concession fees payable of $1.4M. The deferred tax balance is unpredictable and depends on the difference between tax and accounting carrying values of assets and liabilities. The concession fees payable is expected to decrease slightly as the monthly instalment fees are made to the ANM.

Q1 2019

Total assets decreased slightly by $0.3M from Q4 2018 to Q1 2019. There was a decrease in cash of $1.4M in Q1 2019 of which $0.7M cash was used in operations and $1.2M was spent mostly on Mara Rosa; supplemented by $0.5M loan from the Executive Chairman. The reduction in cash was offset by the capitalization of $1.2M spent on Mara Rosa and Lavras do Sul.

The total non-current liabilities increased by $0.5M in Q1 2019 compared to Q4 2018 due to the $0.5M received from the Executive Chairman.

Note 6 Liquidity and Capital Resources

The Company recorded a net cash decrease of $1.4M from $2.3M as at December 31, 2018 to $0.9M as at March 31, 2019.

Cash was used to fund operations of $0.7M and expenditures of $1.2M on resource properties in Brazil including $0.4M to conclude the Mara Rosa drilling program and $0.2M in land acquisition also at Mara Rosa.

The Company anticipated a cash shortfall prior to its private placement announcement on May 15, 2019. Accordingly, on March 29, 2019, the Executive Chairman of the Company agreed to provide a $1M facility (the "Facility") to be drawn down from time to time. The Company has drawn the $1M available under this Facility as at the date of this report.

As at May 30, 2019 the cash balance was $0.3M. As discussed earlier, on May 15, 2019, the Company announced that it is proposing to complete a Private Placement of Units for aggregate gross proceeds to the Company of up to $5M. This may be upsized to $6M based on demand. As at the date hereof, the Company has received commitments from arm's length and non-arm's length lead investors in respect of the Private Placement and expects to successfully close this financing. The Company intends to use the net proceeds from the Private Placement for advancing the Company's Mara Rosa Project by continuing the FS, and applying for the LI; and for general corporate purposes.

In connection with the Private Placement, the Company may pay a maximum 6% finder's fee in cash on a portion of the funds to be raised, subject to all necessary regulatory approvals.

The Company intends to close the Private Placement shortly, subject to receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange (the "TSX-V"). All securities issued pursuant to the Private Placement will be subject to, among other things, a hold period of four months and one day in accordance with applicable securities laws.

The Company has not earned any revenue to date from its operations. It is in the process of exploring and developing its resource properties. The Company is reliant on external sources of cash for its current short term and long term working capital requirements and to fund its exploration programs and business development activities. Without additional financing or other satisfactory arrangements, the Company's financial resources may not be sufficient to adequately maintain and/or further develop its projects. The Company's current liquidity and capital resources raise doubt about the Company's ability to continue as a going concern beyond 2019 without an inflow of new funds during the year. See the notes to the Company's unaudited financial statements for the three months ended March 31, 2019. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing or other satisfactory arrangements to fund its operating and capital expenses until business circumstances improve so as to allow the Company to be self-sufficient and internally funded. The Company's ability to continue its exploration, development and eventually its future production activities is dependent on management's ability to secure significant additional financing in the future, which may be completed by way of traditional equity or debt financings or in a number of alternative ways including, but not limited to, a combination of: new strategic partnerships; joint venture arrangements; project-level or subsidiary-level third-party financings; royalty or streaming financing; the sale of non-core assets; a convertible debt financing; a rights offering; and/or other capital market alternatives. Management is pursuing additional financial sources, and while the Company's management has been successful in obtaining financing for the Company in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

Note 7 Concession Fees Payable and Litigation

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”), now known as the ANM, 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”), performed 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 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, PPC 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 PPC to make the outstanding TAH payments, related penalties and interest owed over a five year payment period. However, PPC 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. Accordingly, 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.

In order to avoid enforcement proceedings by the DNPM and to satisfy one of the conditions underlying the sale of royalty to Royal Gold, AMB entered into an agreement with the DNPM to pay an estimated monthly amount of R$ 93,778 over a five year period commencing on June 29, 2018. The total amount of R$5,626,642 includes principal of R$4,688,868 and interest of R$937,774. The Company has communicated this payment plan to WPC which is done under protest and without any waiver of its claims against WPC. The Company recorded the initial liability of R$5,626,642 (CAD$1,982,266) and capitalized this amount at the Mara Rosa property. As at December 31, 2018 the Company paid R$669,533 (CAD$235,541) including interest of R$13,155 (CAD$4,691) under this plan. Interest is accrued on the unpaid balance at approximately 6.7% per annum with accrued interest of R$158,989 (CAD$55,724) as at December 31, 2018. Total interest paid and accrued, plus foreign exchange adjustment of R$171,687 (CAD$60,415) were also capitalized with total capitalization of R$5,970,016 (CAD$2,042,681) at the Mara Rosa property (Note 8). The balance payable at December 31, 2018, after interest adjustments was R$5,129,189 (CAD$1,802,910) with an estimated R$1,125,328 (CAD$395,553) due in 2019 and the remaining balance of R$4,003,861 (CAD$1,407,357) due until June 2023.

On October 19, 2018 the Company filed a Domestic Commercial Arbitration Notice and a Statement of Claim with the British Columbia International Commercial Arbitration Centre regarding this dispute with WPC. The Statement of Claim seeks an award of damages by reason of failure of WPC to pay for costs incurred by WPC's Brazilian subsidiary, and, or in the alternative, an order for specific performance of the Services Agreement. The value of the claim is at least R$5,970,016 (CAD$2,042,681) as at December 31, 2018. On December 21, 2018, WPC filed a petition (the "Petition") seeking an order that certain communications that were sent or received by Mr. Buddy Doyle, a former director of the Company and of WPC, are subject to solicitor-client privilege in favour of WPC, must be returned to WPC, and cannot be used in the Arbitration. The Arbitration is paused pending the determination of the Petition. The hearing of this Petition was originally scheduled for April 23-24, 2019. The Company filed a comprehensive response to the Petition, supported by the affidavits of Mr. Doyle, Mr. Dean Pekeski, a former VP Exploration of WPC, and Mr. Patricio Varas, the former President and CEO and director of WPC. Messrs. Pekeski and Varas, who were parties to the communications at issue, confirm that the communications are not privileged. As a result of WPC failing to take steps to confirm the hearing date, on April 23, 2019, the Company applied to the court for directions and WPC was ordered, among other matters, to take steps to secure Petition hearing dates in July, and to file any procedural applications by May 10, 2019. On May 10, 2019, WPC delivered an application seeking to strike out all or portions of the affidavits filed by the Company. In support of its application, WPC has tendered, among other things, the affidavit filed by Mr. Doyle in the Arbitration which attaches the communications at issue. The Company has filed its own application seeking to strike all or portions of the affidavits relied on by WPC, and its position is that, by voluntarily putting the communications at issue in the public record and before the court, WPC has voluntarily waived any privilege that it says attached to these communications, although the Company disagrees that the communications are privileged or that the Company cannot use them against WPC in the Arbitration. The hearing of the parties' respective applications and the Petition is scheduled for July 17-18, 2019.

The Company believes that it will be successful in the Petition and in the Arbitration and will cause WPC to pay all amounts accrued and paid to DNPM for liabilities arising in respect of the Exploration Permits, as well as costs of the Arbitration.

Note 8 Share Capital

As of May 30, 2019 the Company had securities outstanding as follows:

Common Shares Issued	114,455,208

Common Share Purchase Warrants	9,832,636
Common Share Purchase Options	8,765,000

Note 9 Investor Relations Activities

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

Note 10 Balances and Transactions with Related Parties and Affiliates

Table 9: Summary of Balances with Related Parties

	March 31, 2019	December 31, 2018
Due to officer (i)	**$ 180,000**	$ 180,000
Due to corporations controlled by directors (ii)	**10,000**	5,000
Due to directors (iii)	**40,000**	20,000
Loan (iv)	**500,000**	-
	$ 730,000	$ 205,000

(i) Due to Hemdat Sawh, Chief Financial Officer of the Company for salaries.

(ii) Director's fees payable to Stratus Aeronautics Inc., a Company in which David Birkett, who is a director of the Company, is also a director and shareholder.

(iii) Accrual of directors' fees of $10,000 each to Stephen Stow (December 31, 2018: $5,000), Colin Sutherland (December 31, 2018: $5,000), Rowland Uloth (December 31, 2018: $5,000) and Rostislav Raykov (December 31, 2018: $5,000).

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

(iv) Amount drawn on the $1M Facility available from the Executive Chairman of the Company as described earlier. On May 1, 2019, a further $500,000 was drawn on this Facility.

Table 10: Summary of Transactions with Related Parties

During the three months ended March 31, 2019 and 2018, the Company incurred charges with directors, officers and companies with a common director as follows:

		2019		2018
Salaries paid/payable to officers (i)	$	**125,000**	$	60,000
Consulting fees charged by director's corporation (ii)		**-**		8,550
Directors' fees (iii)		**25,000**		25,000
	$	**150,000**	$	93,550

(i) Mike Mutchler, President and Chief Officer of the Company for salaries $75,000 (2018: $30,000); and Hemdat Sawh, Chief Financial Officer of the Company, $50,000 (2018: $30,000).
(ii) Lithosphere Services Inc., a company controlled by Buddy Doyle who was a director of Amarillo until August 2018.
(iii) Director fees of $5,000 each in 2019 and 2018 to David Birkett, Rostislav Raykov, Stephen Stow; Colin Sutherland, and Rowland Uloth.

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

Note 11 Additional Disclosure for Venture Issuers without Significant Revenue

Table 11: Resource Properties and Deferred Exploration Expenditures

	Mara Rosa	Lavras do Sul	March 31, 2019	December 31, 2018
Resource properties				
Balance, beginning of period/year	**$ 1,067,278**	**$ 2,968,088**	**$ 4,035,366**	$ 4,035,366
Additions during the 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 period/year	**9,475,587**	**12,733,201**	**29,768,300**	29,768,300
Expenditures during the period/year				
Consulting	**160,822**	**12,989**	**173,811**	845,646
Optimization study	**-**	**-**	**-**	647,718
Drilling and related costs	**393,389**	**-**	**393,389**	1,493,427
Assays	**87,481**	**6,423**	**93,904**	244,784
DNPM concession fees	**-**	**-**	**-**	2,042,681
Aeromagnetic survey	**-**	**-**	**-**	215,000
Exploration	**3,324**	**-**	**3,324**	25,055
Transporation	**(2,487)**	**5,123**	**2,636**	74,565
Concession taxes	**37,120**	**2,912**	**40,032**	108,252
Travel	**26,799**	**2,064**	**28,863**	77,786

Depreciation	**21,598**	**-**	**21,598**	46,832
Salaries	**123,717**	**47,240**	**170,957**	625,281
Other evaluation and exploration expenses	**77,533**	**16,477**	**94,010**	214,901
	929,296	**93,228**	**1,022,524**	6,661,928
Sale of royalty	**-**	**-**	**-**	(14,221,440)
Balance, end of the period/year	**10,404,883**	**12,826,429**	**23,231,312**	22,208,788
Total	**$ 11,472,161**	**$ 15,794,517**	**$ 27,266,678**	$ 26,244,154

Note 12 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, 2019, management had determined that no impairment of resource properties was required.

Concession fees payable

The provision of concession fee payable to the ANM requires the incorporation of a market borrowing rate to total future obligation to arrive a present value of the provision. The borrowing rate is based on the economic environment in Brazil which is subject estimates and judgements.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Note 13 New Accounting Standards

IFRS 16 – LEASES

The Company has retrospectively adopted this new standard effective January 1, 2019. This new accounting pronouncement, which was 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. This new pronouncement did not have a significant impact on the consolidated financial statements upon adoption.

Note 14 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Note 15 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, 2019, 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, 2019, 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.

Note 16 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, 2019 totaled $25,471,028 (December 31, 2018: $26,042,786).

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, 2019. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

Note 17 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.

Table 12: Categories of Financial Instruments

	March 31, 2019	December 31, 2018
FINANCIAL ASSETS:		
FVTPL		
Cash	**$ 897,255**	$ 2,268,514
Amortized cost		
Accounts receivable, excludes HST/GST receivable	**$ 79,356**	$ 79,356
FINANCIAL LIABILITIES:		
Amortized cost		
Accounts payable and accrued liabilities	**$ 1,300,879**	$ 1,328,939
Due to related parties	**$ 230,000**	$ 205,000
Loan payable	**$ 500,000**	$ -
Concession fees payable	**$1,608,282**	$ 1,802,910

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, therefore there was no amount applied to the expected credit losses. As at March 31, 2019 and December 31, 2018, 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, 2019, the Company had $897,255 cash (December 31, 2018 - $2,268,514) to settle current liabilities of $2,416,867 (December 31, 2018 - $1,929,492).

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 its 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.

(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, 2019, the Company was not a gold producer.

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 periods ended March 31, 2019 and 2018.
- 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 cash 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 for the period ended March 31, 2019 by approximately $30,700 (March 31, 2018 - $77,000). A plus or minus 5% change in foreign exchange rate of the US dollar against the Canadian dollar would affect net loss for the period ended March 31, 2019 by approximately $10,500 (March 31, 2018 - $507,000).

Note 18 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 ENVIRONMENT 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 from the Company's existing and past activities. 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 valuation and ability to raise financing. Sustained low gold price may:

- 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 30, 2019 there were stock options and share purchase warrants outstanding to purchase 18,597,636 common shares in the capital of the Company. The common shares issuable under these options, if fully exercised, would constitute approximately 14% 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.

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 INHERE 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 (highly corrupt). In 2018 and out of 180 countries in the World, Canada was ranked 9th with CPI score of 81, the United States was ranked 22nd with a CPI score of 71, and Brazil was ranked 105th with a CPI score of 35. In 2016, Brazil had a score of 40 and was ranked 79th. The average score on the 2018 Corruption Perceptions Index was 43 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, theft, embezzlement 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 REGULATION

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.

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 ANM 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-years 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.

LITIGATION

As referred to earlier in the portion of this MD&A entitled “Concession Fees Payable and Litigation”, the Company expects that WPC will pay all of the costs and expenses related to the overdue TAH taxes and related late payment penalties. The Company has commenced these payments to the DNPM and has launched arbitration proceedings against WPC with the objective of reimbursement of these payments to the DNPM. There is a risk that WPC may have a significant change in its financial circumstances and become unable to pay the amounts owed if the Company is successful in arbitration proceedings.

Note 19 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.