A development stage company

Condensed interim consolidated financial statements
(Expressed in Canadian dollars)

Three months ended
March 31, 2020 and 2019

Table of contents

Management's comments on unaudited condensed interim consolidated financial statements 1
Condensed interim consolidated statements of financial position 2
Condensed interim consolidated statements of loss and comprehensive loss 3
Condensed interim consolidated statements of changes in equity 4
Consolidated interim consolidated statements of cash flows 5
Notes to the condensed interim consolidated financial statements 6
1. Business of the Company and going concern 6
2. Basis of presentation 6
3. Capital risk management 7
4. Financial risk factors 8
5. Categories of financial instruments 9
6. Resource properties and deferred exploration expenditures 10
7. Property and equipment 13
8. Capital stock 13
9. Net loss per common share 16
10. Related party loan 16
11. Related party transactions and balances 17
12. General and administrative expenses 17
13. Segmented information 18
14. Concession fees payable and litigation 18
15. Authorization 21

Management is responsible for these unaudited condensed interim consolidated financial statements

These interim financial statements have not been audited or reviewed by an auditor

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Condensed interim consolidated statements of financial position (expressed in Canadian dollars)

	Notes	As at March 31 2020 ($)	As at December 31 2019 ($)
Current assets			
Cash		**5,103,298**	7,635,296
Accounts receivable		**42,803**	25,891
Prepaids		**9,633**	14,791
		5,155,734	7,675,978
Non-current assets			
Resource properties and deferred exploration expenditures	6&7	**32,439,196**	30,610,913
Property and equipment	7	**1,975,403**	1,986,671
Total assets		**39,570,333**	40,273,562
Liabilities and equity			
Current liabilities			
Accounts payables and accrued liabilities		**1,073,336**	1,014,594
Due to related parties	11	**277,000**	224,500
Concession fees payable	14	**307,440**	363,594
		1,657,776	1,602,688
Non-current liabilities			
Concession fees payable – long-term portion	14	**779,412**	1,001,597
Total liabilities		**2,437,188**	2,604,285
Equity			
Capital stock	8	**62,839,327**	62,839,327
Contributed surplus		**9,615,370**	8,763,661
Warrants	8	**5,547,979**	6,399,688
Deficit		**(40,869,531)**	(40,333,399)
Total equity		**37,133,145**	37,669,277
Total liabilities and equity		**39,570,333**	40,273,562

Business of the company and going concern (Note 1)

Concession fees payable and litigation (Note 14)

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

Approved by the Board:

Signed: "**Colin Sutherland**"
Director _________________

Signed: "**Rowland Uloth**"
Director _________________

Condensed interim consolidated statements of loss and comprehensive loss (expressed in Canadian dollars except weighted average shares)

		Three months ended March 31	
		2020	2019
	Notes	**$**	$
Expenses (income)			
General and administrative	12	**643,604**	585,898
Stock-based compensation		**–**	48,111
Financing advisory services		**37,289**	–
Foreign exchange gain		**(166,311)**	(15,864)
Interest and finance charges		**21,550**	1,724
		536,132	619,869
Total loss and comprehensive loss		**(536,132)**	(619,869)
Basic and diluted loss per share	**9**	**(0.00)**	(0.01)
Weighted average shares outstanding basic and diluted	**9**	**191,404,814**	114,455,208

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

Condensed interim consolidated statements of changes in equity (expressed in Canadian dollars)

	Capital stock $	Contributed surplus $	Warrants $	Deficit $	Total equity $
At December 31, 2018	53,594,862	7,491,946	1,234,202	(36,278,224)	26,042,786
Stock-based compensation	–	48,111	–	–	48,111
Loss and comprehensive loss for the period	–	–	–	(619,869)	(619,869)
At March 31, 2019	**53,594,862**	**7,540,057**	**1,234,202**	**(36,898,093)**	**25,471,028**
Private placement, net of issuance cost	14,429,234	139,831	–	–	14,569,065
Fair value of warrants, net of tax	(5,293,100)	–	5,293,100	–	–
Expired warrants	–	127,614	(127,614)	–	–
Stocked-based compensation	–	956,159	–	–	956,159
Shares issued to settle payables	108,331	–	–	–	108,331
Loss and comprehensive loss for the period	–	–	–	(3,435,306)	(3,435,306)
At December 31, 2019	**62,839,327**	**8,763,661**	**6,399,688**	**(40,333,399)**	**37,669,277**
Expired warrants	–	851,709	(851,709)	–	–
Loss and comprehensive loss for the period	–	–	–	(536,132)	(536,132)
At March 31, 2020	**62,839,327**	**9,615,370**	**5,547,979**	**(40,869,531)**	**37,133,145**

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

Condensed interim consolidated statements of cash flows
(expressed in Canadian dollars)

	Three months ended March 31	
	2020	2019
	$	$
Operating activities		
Net loss for the period	**(536,132)**	(619,869)
Unrealized foreign exchange gain on concession fees payable	**(202,712)**	(114,652)
Interest on concession fees payable	**9,851**	23,926
Stock-based compensation	**–**	48,111
	(728,993)	(662,484)
Accounts receivable	**(16,912)**	74,858
Prepaids	**5,158**	2,309
Concession fees payable	**(75,627)**	(99,155)
Accounts payable and accrued liabilities	**58,741**	(28,059)
Due to related parties	**52,500**	25,000
	(705,133)	(687,531)
Investing activities		
Resource properties and deferred exploration expenditures	**(1,802,193)**	(999,895)
Property and equipment	**(14,823)**	(179,086)
	(1,817,016)	(1,178,981)
Financing activities		
Related party loan proceeds	**–**	500,000
Interest paid on concession fees payable	**(9,849)**	(4,747)
		495,253
Change in cash during the period	**(2,531,998)**	(1,371,259)
Cash, beginning of the period	**7,635,296**	2,268,514
Cash, end of period	**5,103,298**	897,255
Non-cash investing activities		
Capitalized depreciation	**26,091**	22,631

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

Notes to the condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 (expressed in Canadian dollars)

1. Business of the Company and going concern

Amarillo Gold Corporation (Amarillo or the Company) is incorporated under the laws of the Province of British Columbia, Canada. The address of the Company's registered office is Suite 201 – 82 Richmond Street East, Toronto, ON, Canada, M5C 1P1.

Amarillo is a development stage company engaged in the acquisition and exploration of mineral properties, primarily in Brazil. Amarillo currently has two properties in Brazil: Mara Rosa which is located in the State of Goiás, and Lavras do Sul, which is located in the State of Rio Grande do Sul.

The Company has not earned any revenue to date from its operations. It is in the process of exploring and developing its resource properties.

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. The Company has a net loss for the three months ended March 31, 2020 of $547,174 and negative cash flows from operating activities of $779,285. In addition, the Company has an accumulated deficit of $40,880,573.

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

These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of accounting principles applicable to a going concern. These condensed interim consolidated financial statements do not give effect to any adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2019.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2019.

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

3. 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, 2020 totaled $37,122,103 (December 31, 2019 – $37,669,277).

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in its approach during the three months ended March 31, 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

4. Financial risk factors

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

The key risks attaching to the Company’s financial instruments are as follows.

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations.

The Company's credit risk is primarily attributable to cash and accounts receivable. Credit risk on cash is remote as it is held with reputable financial institutions and is closely monitored by management.

Management believes that the credit risk with respect to financial instruments included in accounts receivable is remote as the majority of the receivables largely represent taxes receivable, therefore there was no amount applied to the expected credit losses. As at March 31, 2020 and December 31, 2019, no accounts receivable was considered impaired or past due.

Liquidity risk

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

As at March 31, 2020, the Company had a cash balance of $5,103,298 (December 31, 2019 – $7,635,296) to settle current liabilities of $1,657,776 (December 31, 2019 – $1,602,688).

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.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars and Brazilian Reais (R$). To fund exploration expenditures, 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 at March 31, 2020, the Company was not a gold producer. However, gold price risk affects 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 three-month period.

a) Cash is subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss for the three-month periods ended March 31, 2020 and 2019.

b) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable and accounts payable denominated in Brazilian Reais, and cash denominated in U.S. 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 three-month period ended March 31, 2020 by approximately $13,200 (March 31, 2019 – $30,700).

   A plus or minus 5% change in foreign exchange rate of the U.S. dollar against the Canadian dollar would affect net loss for the three-month period ended March 31, 2020 by approximately $5,200 (March 31, 2019 – $10,500).

5. Categories of financial instruments

	March 31, 2020 **$**	December 31, 2019 $
Financial assets		
FVTPL		
Cash	**5,103,298**	7,635,296
Amortized cost		
Accounts receivable, excludes HST/GST receivable	**12,634**	12,881
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	**1,073,336**	1,014,594
Due to related partied	**277,000**	224,500
Concession fees payable	**1,086,852**	1,365,191

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash, accounts receivable and payables approximate their carrying amounts due to their short-term nature. The fair value of the accounts payable and accrued liabilities, and concession fees payable approximates their carrying values due to current market rates and consistency of credit spread.

As at March 31, 2020 and December 31, 2019, cash was measured at fair value and is classified within Level 1 of the fair value hierarchy.

6. Resource properties and deferred exploration expenditures

	Mara Rosa $	**Lavras do Sul $**	**March 31, 2020 $**	December 31, 2019 $
Resource properties				
Balance, beginning of year	**1,067,278**	**2,968,088**	**4,035,366**	4,035,366
Additions during the period/year	**74,153**	**–**	**74,153**	–
Balance, end of period/year	**1,141,431**	**2,968,088**	**4,109,519**	4,035,366
Deferred evaluation and exploration expenditures				
Balance, beginning of year	**13,410,650**	**13,164,897**	**26,575,547**	22,208,788
Expenditures during the period/year				
Engineering and consulting	**520,344**	**30,909**	**551,253**	1,957,876
Optimization study				-
Drilling and related costs	**339,229**	**347,651**	**686,880**	780,183
Assays	**210,886**	**17,103**	**227,989**	319,156
DNPM concession fees				-
Aeromagnetic survey				125,249
Exploration				14,475
Transportation	**6,451**	**2,908**	**9,359**	21,414
Concession taxes	**40,007**	**4,076**	**44,083**	106,020
Travel	**14,699**	**135**	**14,834**	71,781
Depreciation	**27,029**	**408**	**27,437**	91,096
Salaries	**95,732**	**36,249**	**131,981**	615,526
Other evaluation and exploration expenses	**28,146**	**32,168**	**60,314**	263,983
	1,282,523	**471,607**	**1,754,130**	4,366,759
Balance, end of period/year	14,693,173	13,636,504	28,329,677	26,575,547
Total	**15,834,604**	**16,604,592**	**32,439,196**	30,610,913

(i) Mara Rosa properties

The Mara Rosa Property, which include Amarillo's flagship Posse Gold Project, is located near the town of Mara Rosa in Goiás State in central Brazil, 335 kilometres northwest of the national capital of Brasilia, Brazil.

Mara Rosa Property consists of exploration tenements covering an area totalling 68,974 hectares, including the 6,940 hectares as described below, and the mining concessions (the Posse mine) that cover an area totaling 2,553 hectares.

This property is 100% controlled by Amarillo, although the ground is subject to a 1% Net Smelter Returns (NSR) royalty to Franco Nevada Corporation; and a 1.0% NSR royalty to Royal Gold, Inc. which was increased to 2.75% as of June 29, 2018.

On June 29, 2018 the Company entered into an agreement for the sale of a 1.75% Net Smelter Return Royalty on the Mara Rosa gold project (the Royalty Agreement) to RG Royalties, LLC, a wholly-owned subsidiary of Royal Gold, Inc. (Royal Gold), for US$10,800,000 (Cdn $14,221,440).

The Company's obligations under the royalty will be secured by Mara Rosa project assets; however, the Royalty Agreement contemplates and permits a potential future first ranking project financier.

On January 8, 2020, the Company acquired from an unrelated party nine exploration tenements comprising 6,940 hectares approximately four kilometers north east of the Posse Gold Project. The Company paid US$50,000 upon signing the agreement and is required to pay an additional US$50,000 on January 8, 2021.

In addition, the Company will be required to pay US$500,000 upon successful conversion of any of these exploration tenements into mining concession(s) prior to November 19, 2021. These tenements are also subject to a 1% net smelter royalty payable to the acquiree, which can be purchased for US$500,000.

(ii) Lavras do Sul Property

Rio Tinto Agreement
The Company acquired an option on the Lavras do Sul property (the Lavras project) from Rio Tinto Desenvolvimentos Ltda. (Rio Tinto) in October 2006.

The Lavras project area covers a total of 220 square kilometres and is located in the state of Rio Grande do Sul, approximately 420 kilometres by paved road southwest of the state capital Porto Alegre.

A summary of the option terms are:
- Amarillo was required to make payments of US$1,265,000 through various instalments up to January 31, 2008, in order to acquire an initial 60% interest in the property (payments made)
- Amarillo was required to issue 2,000,000 warrants – exercisable at $0.50 – to Rio Tinto within 60 days of signing the final agreement (issued). The warrants expired on January 22, 2010
- Amarillo was required to spend US$2,550,000 by January 31, 2008, on exploration of this property (spent).

Upon completion of the above terms Amarillo can form a Joint Venture with the underlying owners.

If the underlying owners elect not to contribute, then Amarillo will earn a 100% interest in the property and be required to pay a 1.5% NSR royalty on production. The Company has yet to enter into a joint venture; however, it continues to work with prospective partners to negotiate this agreement.

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

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

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

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

IAMGOLD Agreement

On May 23, 2008, a Heads of Agreement was signed between IAMGOLD Corporation (IAMGOLD) and Amarillo, which gave Amarillo the right to acquire a 80% interest in eight license areas with a cumulative net area of approximately 7,000 hectares (the Property) that are contiguous to the Company's current Lavras do Sul project.

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

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

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

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

7. Property and equipment

	Property $	Software $	Furniture, equipment and vehicles $	Computer hardware $	Total $
Cost					
Balance as at December 31, 2018	482,567	142,584	178,918	65,918	869,987
Additions for the year	1,329,504	29,079	3,674	2,478	1,364,735
Balance as at December 31, 2019	**1,812,071**	**171,663**	**182,592**	**68,396**	**2,234,722**
Additions for the period	–	**2,536**	**5,478**	**6,809**	**14,823**
Balance as at March 31, 2020	**1,812,071**	**174,199**	**188,070**	**75,205**	**2,249,545**
Accumulated depreciation					
Balance as at December 31, 2018	–	35,646	84,883	39,340	159,869
Depreciation for the year	–	72,666	12,544	2,972	88,182
Balance as at December 31, 2019	–	108,312	97,427	42,312	248,051
Depreciation for the period	**–**	**21,616**	**3,508**	**967**	**26,091**
Balance as at March 31, 2020	**1,812,071**	**129,928**	**100,935**	**43,279**	**274,142**
Carrying amounts					
At December 31, 2019	1,812,071	63,351	85,165	26,084	1,986,671
At March 31, 2020	**1,812,071**	**44,271**	**87,135**	**31,926**	**1,975,403**

Depreciation for the period ended March 31, 2020 amounting to $26,091 (December 31, 2019 – $88,182) has been included as a deferred exploration cost of the Mara Rosa property.

8. Capital stock

(a) Authorized

Unlimited number of common shares.

(b) Issued

	Shares	Amount ($)
Balance, December 31, 2018	114,455,208	53,594,862
Private placement, net issuance cost (i)	26,382,950	5,204,966
Fair value of warrants issued private placement (i)	–	(1,554,131)
Private placements, net of issuance cost (ii)	50,025,000	9,224,268
Fair value of warrants issued under private placement (ii)	–	(3,738,969)
Issued to settle payables (iii)	541,656	108,331
Balance, December 31, 2019 and March 31, 2020	**191,404,814**	**62,839,327**

(i) On June 14, 2019, the Company closed a non-brokered private placement (the Private Placement) through the issuance of 26,382,950 units (Units) at a subscription price of $0.20 per Unit for aggregate gross proceeds to the Company of $5,276,590.

Management and directors of the Company subscribed for Units in an aggregate amount of $1,100,000. 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. Cost of issue of $71,624 include legal and filing fees.

The 26,382,950 whole warrants were ascribed a total fair value of $1,554,131 at a price of approximately $0.06 per warrant on the date of grant using the Black-Scholes pricing model with assumptions of volatility of 75.5%, risk free interest rate of 1.60%, expected life of two years, forfeiture rate of 0%, and dividend yield of 0%.

(ii) On August 29, 2019, the Company closed Private Placements through the issuance of 50,025,000 Units at a subscription price of $0.20 per Unit for aggregate gross proceeds to the Company of $10,005,000.

Through the brokered portion of the Private Placements, which was underwritten on a bought-deal basis by Mackie Research Capital Corporation as sole underwriter and bookrunner (the Underwriter), the Company issued 47,599,000 Units. Through the non-brokered portion of the Private Placements, the Company issued 2,426,000 Units. Management and directors of the Company subscribed for 1,101,000 Units in an aggregate amount of $220,200.

Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.30 per warrant share until August 29, 2021.

The 50,025,000 whole warrants were ascribed a total fair value of $3,738,969 at a price of approximately $0.07 per warrant on the date of grant using the Black-Scholes pricing model with assumptions of volatility of 74.3%, risk free interest rate of 1.34%, expected life of 2 years, forfeiture rate of 0%, and dividend yield of 0%.

The Underwriter received an aggregate cash fee of $471,188 from the brokered portion of the Private Placements (the Commission). In addition, the Company granted the Underwriter 1,355,940 non-transferable options (the Compensation Options). Each Compensation Option will entitle the holder thereof to purchase one Unit (a Compensation Option Unit) at a price of $0.20, for a period of 24 months. The 1,355,940 Compensation Options were ascribed a total fair value of approximately $0.10 per Unit on the date of grant using the Black-Scholes pricing model with assumptions of volatility of 74.3%, risk free interest rate of 1.34%, expected life of 2 years, forfeiture rate of 0%, and dividend yield of 0%.

Total cost of issue was $780,732 including cash Commission of $471,188, Compensation Options valued at $139,831, plus legal and filing fees of $169,713.

(iii) On December 24, 2019, the Company issued 541,656 common shares to a non-arm’s length party at an agreed price of $0.21 per common share to settle $113,748 payables. The Company’s closing price per share at settlement was $0.20 for a total ascribed share value of $108,331 which resulted in a gain of $5,417 on settlement of this payable.

(c) Warrants

	Number of warrants	Weighted average exercise price $	Value of warrants $
Balance, December 31, 2018	9,832,636	0.38	1,234,202
Issued under private placement	26,382,950	0.30	1,554,131
Issued under private placements	50,025,000	0.30	3,738,969
Expired	(618,750)	0.30	(127,614)
Balance, December 31, 2019	85,621,836	0.38	6,399,688
Expired	(7,091,664)	0.38	(851,709)
Balance, March 31, 2020	**78,530,172**	**0.302**	**5,547,979**

Details of the warrants outstanding are as follows:

Expiry date	Number	Weighted average exercise price $
April 12, 2020[1]	2,122,222	0.38
May 31, 2021	25,424,435	0.30
June 14, 2021	958,515	0.30
August 29, 2021	50,025,000	0.30
	78,530,172	**0.302**

[1] These warrants expired unexercised on April 12, 2020

(d) Broker compensation options

As described in Note 8(b)(iv), the Company granted the Underwriter 1,355,940 compensation options which entitle the holder thereof to purchase one compensation option unit (CPU) at a price of $0.20, expiring on August 29, 2021.

Each CPU is comprised of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.30 per warrant share until August 29, 2021.

The grant date fair value of the CPUs granted was estimated at approximately $0.1031 per CPU for a total of $139,831 using the Black-Scholes option pricing model with the following estimates: risk free interest rate – 1.24%, expected life – 2 years; volatility – 74%, and dividend yield – 0%.

(e) Stock options

The Company has a stock option plan (the Plan) for directors, senior officers, employees, consultants and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company.

Options are granted for a term not exceeding five years and vest at the discretion of the board when granted to directors, senior officers, employees and consultants (other than those performing investor relations).

Options granted to consultants performing investor relations activities vest over a period of 12 months.

	Number of options	Weight average exercise price $
Balance, December 31, 2018	8,765,000	0.29
Granted	**5,000,000**	**0.25**
Expired	**(270,000)**	**(0.35)**
Balance, December 31, 2019 and March 31, 2020	**13,495,000**	**0.28**

Details of the stock options outstanding and exercisable are as follows:

Number of options	Exercise price $	Fair value at date of grant $	Remaining contractual life (years)
440,000[1]	0.25	90,521	1.09
1,000,000[1]	0.28	308,132	1.25
200,000[1]	0.37	64,671	1.88
500,000[1]	0.36	156,472	2.19
15,000[1]	0.31	3,750	2.67
4,590,000[1]	0.31	1,237,464	2.77
200,000[1]	0.23	40,000	3.15
50,000[1]	0.22	10,000	3.19
1,400,000[1]	0.23	318,640	3.47
100,000[1]	0.21	23,170	3.53
300,000[1]	0.28	50,580	4.25
4,300,000[1]	0.25	751,402	4.49
400,000[2]	0.25	69,898	4.49
13,495,000	**0.28**	**3,124,700**	**3.28**

[1] Exercisable as at March 31, 2020

[2] Exercisable upon the granting of the license to construct at the Posse Gold Project.

9. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2020 was based on the loss attributable to common shareholders of $536,132 (March 31, 2019 – $619,869) divided by the weighted average number of common shares outstanding of 191,404,814 (March 31, 2019 – 114,455,208).

10. Related party loan

	March 31, 2020 $	December 31, 2019 $
Balance, beginning of year	–	–
Advances	–	1,000,000
Interest accrual	–	–
Repayment	–	(1,000,000)
Balance, end of period/year	**–**	–

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 was unsecured, due and payable on demand and bore interest at 6% per annum.

On August 22, 2019 the total of $1,000,000 drawn under this Facility was repaid and accrued interest of $12,740 was waived.

11. Related party transactions and balances

As at March 31, 2020 and December 31, 2019, the balance due to related parties is comprised of the following:

	March 31, 2020	**December 31, 2019**
	$	$
Due to corporations controlled by directors	**37,500**	28,750
Due to directors	**239,500**	195,750
	277,000	224,500

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

During the three months ended March 31, 2020 and 2019, the Company incurred charges with directors, officers and companies with a common director as follows:

	Three months ended March 31	
	2020	2019
	$	$
Salaries paid to officers	**125,000**	125,000
Directors' fees	**52,500**	25,000
	177,500	150,000

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

12. General and administrative expenses

General and administrative expenses consist of the following:

		Three months ended March 31	
		2020	2019
	Notes	**$**	$
Consulting fees		**60,714**	57,900
Professional fees		**204,410**	162,424
Salaries and benefits	11	**185,507**	177,647
Directors' fees	11	**52,500**	25,000
Marketing and promotion		**32,459**	70,282
Filing and transfer agent fees		**27,850**	11,055
Travel		**9,625**	7,706
Other general and administrative		**70,539**	73,884
		643,604	585,898

13. Segmented information

The Company operates in one reportable operating segment – mineral exploration. The Company's resource properties are located in Brazil and its corporate assets are located in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues.

Total assets by geographic region are as follows:

	Canada $	Brazil $	Total $
March 31, 2020			
Current assets	**4,442,416**	**713,318**	**5,155,734**
Resource properties and deferred exploration expenditures	**–**	**32,439,196**	**32,439,196**
Property and equipment	**–**	**1,975,403**	**1,975,403**
	4,442,416	**35,127,917**	**39,570,333**
December 31, 2019			
Current assets	6,834,606	841,372	7,675,978
Resource properties and deferred exploration expenditures	–	30,610,913	30,610,913
Property and equipment	–	1,986,671	1,986,671
	6,834,606	33,438,956	40,273,562

14. Concession fees payable and litigation

(a) The Company entered into a services agreement (the Services Agreement) dated April 28, 2008 with Western Potash Corporation (WPC), a British Columbia company, which replaced a letter agreement pursuant to which the Company staked exploration permits (the Exploration Permits) in Brazil's Amazon Basin for WPC. Once the Company's Brazilian subsidiary received the exploration permits from the Brazilian Departamento Nacional de Producao Mineral (DNPM), it was to transfer them to a Brazilian subsidiary of WPC.

Under the Services Agreement, WPC was responsible for all direct and indirect costs incurred by the Company in connection with the staking of the Exploration Permits. The Services Agreement provided that the Company would not be liable for any losses, claims, expenses or other liabilities relating to the Services Agreement.

The Company, through its Brazilian subsidiary AMB, performed the following services for WPC: staked mineral claims in the Amazon Basin, formed a subsidiary of WPC called Potassio Occidental Mineracao Ltda (POML) in Brazil, set up bank accounts, provided an office, and did other things necessary for POML to commence business in Brazil.

On September 12, 2011, AMB received the Exploration Permits which it had staked for WPC. The Company submitted applications to assign the Exploration Permits to POML. The Exploration Permits, which had a three-year life, obligated the owner of the Permits to pay the Taxa Annual pro Hectare (TAH) on January 31, 2012, 2013, and 2014.

The Exploration Permits should, according to Brazilian law, have been transferred to POML within 60 days. However, the applications were not processed in a timely way as Brazil instituted a moratorium on all transfers of Exploration Permits pending the approval of a new Mining Code.

As a consequence, the transfer of the Exploration Permits was not processed. AMB remained the registered owner of the Exploration Permits and liable for the TAH thereon.

In recognition of its obligation under the Services Agreement to pay the TAH, on January 31, 2012, WPC paid the TAH due on the Exploration Permits.

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 to the DNPM for the TAH due on January 31, 2013, and 2014 as well as penalties for non-payment and interest on the amount due. Neither WPC nor POML paid the TAH due on January 31, 2013 or 2014.

Although WPC did not pay the TAH, penalties for non-payment and interest on the amount due, WPC continued to acknowledge to the Company its liability for these obligations.

In 2015, AMB appealed its liability for the TAH. The Company believed that, if its appeal was not successful, WPC would make good on its obligation to the Company to pay the accumulated TAH, penalties and interest. It also expected its appeal would be successful as the Exploration Permits should have been transferred to POML according to Brazilian law.

In January 2017, DNPM advised AMB that its appeal had not been allowed. DNPM brought proceedings against AMB for the unpaid TAH on the Exploration Permits for 2013 and 2014 in the amount of R$4,790,407. The DNPM has also levied penalties in the amount of R$600,769. The combined total of the unpaid TAH and penalties was R$5,391,176 as at August 4, 2017.

In order to avoid enforcement proceedings by the DNPM and to satisfy one of the conditions underlying the sale of a royalty to Royal Gold as described in Note 6, AMB entered into an agreement with the DNPM to pay an estimated monthly amount of R$93,778 or a total of R$5,626,642 plus monthly accrued interest over a five year period commencing on June 29, 2018.

Prior to entering into the plan, the Company advised WPC of the plan, that it was 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 along with a foreign exchange adjustment of R$171,687 (CAD$60,415) a total of R$5,798,785 (CAD$2,042,681) was capitalized at the Mara Rosa properties.

In 2019 the Company paid an aggregate of R$1,204,347 (CAD$405,801) (2018: R$669,533 (CAD$241,301)) including principal of R$1,125,328 (CAD$379,175) (2018: R$656,442 (CAD$235,541)) and interest of R$79,019 (CAD$26,625) (2018: R$13,092 (CAD$5,760)) under this plan. Interest is accrued on the unpaid balance at approximately 6.7% per annum with accrued interest as at December 31, 2019 of R$380,416 (CAD$122,913) (2018: R$158,532 (CAD$55,724)).

The following table provides the continuity of this payable in Canadian dollars:

	March 31, 2020 $	December 31, 2019 $
Balance, beginning of year	**1,365,191**	1,802,910
Accrued interest	**9,363**	71,158
Repayment	**(84,990)**	(379,175)
Foreign exchange adjustment	**(202,712)**	(129,702)
Balance, end of period/year	**1,086,852**	1,365,191
Less: current portion	**307,440**	363,594
Long-term portion	**779,412**	1,001,597

The following table provides the continuity of this payable in Brazilian Reais (R$):

	March 31, 2020 R$	December 31, 2019 R$
Balance, beginning of year	**4,225,288**	5,128,732
Accrued interest	**34,271**	221.884
Repayment	**(281,332)**	(1,125,328)
Balance, end of period/year	**3,978,227**	4,225,288
Less: current portion	**1,125,328**	1,125,328
Long-term portion	**2,852,899**	3,099,960

Total future principal payments under this installment arrangement for the remaining four years are as follows:

	$	**R$**
2020	**204,960**	**750,219**
2021	**307,440**	**1,125,328**
2022	**307,440**	**1,125,328**
2023	**128,100**	**468,887**

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 its claim against WPC for the TAH, penalties and interest.

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, were subject to solicitor-client privilege in favour of WPC, had to be returned to WPC, and could not be used in the Arbitration. The Arbitration was paused pending the determination of the Petition.

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, confirmed that the communications were not privileged or shared with the Company on matters of common interest.

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 tendered, among other things, the affidavit filed by Mr. Doyle in the Arbitration which attached the communications at issue. The Company then filed its own application seeking to strike all or portions of the affidavits relied on by WPC. The hearing of the Petition and the parties' respective applications and the Petition was heard as scheduled on October 15-17, 2019.

On January 8, 2020, the Supreme Court of British Columbia rendered judgment in favour of the Company with respect to the Petition filed by WPC and two related applications. The court awarded ordinary costs of the proceedings to May 10, 2019, and special costs after that date (together the Award).

On April 15, 2020, the Company and WPC agreed to settle this dispute (the Agreement). The Agreement calls for WPC to pay the Company $426,000 for a portion of payments made by the Company from June 2018 until February 2020. This amount will be repaid in twenty-four monthly instalments of $17,000 commencing on April 28, 2020 until March 28, 2022 and a final instalment of $18,000 on April 28, 2022.

WPC has the right at any time to pay by lump sum any balance owing in respect of the $426,000. In addition, WPC assumed full responsibility for the outstanding taxes payable to DNPM in the amount of R$4,540,748 (CAD$1,383,742) as at February 29, 2020.

WPC agreed to pay to Amarillo the amount of $33,000, subject to quarterly adjustments beginning on July 15, 2020 on account of fluctuations in the exchange rate between Canadian Dollar and the Brazilian Real, on the 28th day of every calendar month commencing on March 28, 2020, with the payment for March 2020 being paid on April 21, 2020, and continuing to May 28, 2023 on account of the outstanding taxes which continue to be paid monthly by AMB to DNPM.

WPC also agreed to pay the costs awarded by the Court within 14 days of agreement on the amount. On April 29 2020, the Company and WPC agreed that WPC would pay $187,000 in satisfaction of the costs awarded, which amount will be recorded as a recovery of expenses in the Company’s Q2 2020 statement of profit and loss.

As security for its obligation to pay the settlement amounts described above (the Settlement Amounts), both Amarillo and WPC have jointly instructed the Arbitrator to make a consent award pursuant to Rule 37 of the Arbitral Rules recording the obligations of WPC pursuant to the terms of the Agreement (the Consent Award). The making of the Consent Award had the effect of terminating the Arbitration without costs to any party.

In the event that WPC defaults on any payment of the Settlement Amounts, and such default has not been remedied within 15 days of the date on which the payment became due, then the entire amount remaining to be paid by WPC shall become immediately due and payable, and Amarillo shall be at liberty to file and/or register the Consent Award in the Supreme Court of British Columbia, or in any other court of competent jurisdiction, and will then be entitled to take execution proceedings against WPC to collect the amount owed by WPC under the Consent Award.

The Settlement Amounts will be recorded as a reduction in the carrying value of the Mara Rosa properties.

(b) Due to the nature of the Company’s operations, other than disclosed above, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated.

15. Authorization

These condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 were reviewed and adopted by the Company’s Audit Committee and full Board of Directors on May 26, 2020, and were subsequently certified by the Company’s Chief Executive Officer and Chief Financial Officer.