A development stage company

Condensed interim consolidated financial statements
(Expressed in Canadian dollars)

Nine months ended
September 30, 2020 and 2019

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Management is responsible for these unaudited condensed interim consolidated financial statements

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

National Instrument 51-102, Part 4, subsection 4.3(3)(a), requires companies to clearly identify whether their interim financial statements have been reviewed by an auditor.

These unaudited financial statements of Amarillo Gold Corporation for the nine months ended September 30, 2020 and 2019, have been prepared by the Company's management and are their sole responsibility.

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

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

	Notes	As at September 30, 2020 $	As at December 31, 2019 $
Current assets			
Cash and cash equivalents		**55,642,432**	7,635,296
Accounts receivable		**87,068**	25,891
Receivable from WPC	14	**464,156**	–
Prepaids and deposits		**325,007**	14,791
		56,518,663	7,675,978
Non-current assets			
Receivable from WPC – long-term portion	14	**702,493**	–
Resource properties and deferred exploration expenditures	6&7	**32,503,931**	30,610,913
Property and equipment	7	**3,304,889**	1,986,671
Total assets		**93,029,976**	40,273,562
Liabilities and equity			
Current liabilities			
Accounts payables and accrued liabilities		**885,841**	1,014,594
Due to related parties	11	**–**	224,500
Concession fees payable	14	**266,479**	363,594
		1,152,320	1,602,688
Non-current liabilities			
Concession fees payable – long-term portion	14	**552,180**	1,001,597
Total liabilities		**1,704,500**	2,604,285
Equity			
Capital stock	8	**117,900,368**	62,839,327
Contributed surplus		**9,870,249**	8,763,661
Warrants	8	**5,293,100**	6,399,688
Deficit		**(41,738,241)**	(40,333,399)
Total equity		**91,325,476**	37,669,277
Total liabilities and equity		**93,029,976**	40,273,562

Business of the company and going concern (Note 1)

Contingency (Note 15)

Subsequent event (Note 16)

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

Approved by the Board:

Signed: “**Lawrence Lepard**”
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 September 30		Nine months ended September 30	
		2020	2019	**2020**	2019
	Notes	**$**	$	**$**	$
Expenses (income)					
General and administrative	12	**535,933**	845,716	**1,734,998**	2,093,958
Recovery of legal fees WPC	14	**–**	–	**(187,000)**	–
Stock-based compensation		**–**	894,098	**–**	986,102
Financing advisory services		**36,000**	–	**73,289**	–
Foreign exchange (gain) loss		**(143,673)**	(186,354)	**(245,925)**	45,788
Interest and finance charges		**4,790**	(13,667)	**29,480**	9,451
		433,050	1,539,793	**1,404,842**	3,135,299
Total loss and comprehensive loss		**(433,050)**	(1,539,793)	**(1,404,842)**	(3,135,299)
Basic and diluted loss per share	**9**	**(0.00)**	(0.01)	**(0.01)**	(0.02)
Weighted average shares outstanding basic and diluted	**9**	**292,955,184**	158,781,908	**225,502,018**	132,339,855

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
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	–	–
Stock-based compensation	–	986,102	–	–	986,102
Loss and comprehensive loss for the period	–	–	–	(3,135,299)	(3,135,299)
At September 30, 2019	**62,730,996**	**8,617,879**	**6,527,302**	**(39,413,523)**	**38,462,654**
Expired warrants	–	127,614	(127,614)	–	–
Stocked-based compensation	–	18,168	–	–	18,168
Shares issued to settle payables	108,331	–	–	–	108,331
Loss and comprehensive loss for the period	–	–	–	(919,876)	(919,876)
At December 31, 2019	**62,839,327**	**8,763,661**	**6,399,688**	**(40,333,399)**	**37,669,277**
Private placement, net of issuance cost	55,061,041	–	–	–	55,061,041
Expired warrants	–	1,106,588	(1,106,588)	–	–
Loss and comprehensive loss for the period	–	–	–	(1,404,842)	(1,404,842)
At September 30, 2020	**117,900,368**	**9,870,249**	**5,293,100**	**(41,738,241)**	**91,325,476**

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 September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Operating activities				
Net loss for the period	**(433,050)**	(1,539,793)	**(1,404,842)**	(3,135,299)
Unrealized foreign exchange gain on concession fees payable net of loss on receivable from WPC	**(56,729)**	(108,005)	**(176,986)**	(243,639)
Interest on concession fees payable	**3,846**	17,139	**19,543**	61,462
Interest on loan payable	**–**	(12,740)	**–**	–
Stock-based compensation	**–**	894,098	**–**	986,102
	(485,933)	(749,301)	**(1,562,285)**	(2,331,374)
Accounts receivable	**(59,754)**	(30,486)	**(61,176)**	74,976
Prepaids and deposits	**(306,398)**	12,183	**(310,216)**	(35,701)
Concession fees payable	**(65,896)**	(93,314)	**(207,829)**	(288,800)
Receivable from WPC	**128,633**	–	**311,633**	-
Accounts payable and accrued liabilities	**146,628**	(260,305)	**(128,753)**	(482,386)
Due to related parties	**(329,500)**	127,498	**(224,500)**	53,748
	(972,220)	(993,725)	**(2,183,126)**	(3,009,537)
Investing activities				
Resource properties and deferred exploration expenditures	**(889,476)**	(790,786)	**(3,448,810)**	(2,888,695)
Property and equipment	**(1,234,972)**	(21,974)	**(1,402,426)**	(1,351,849)
	(2,124,448)	(812,760)	**(4,851,236)**	(4,240,544)
Financing activities				
Common shares	**57,199,800**	10,005,000	**57,199,800**	15,281,589
Share issuance costs	**(2,138,759)**	(660,103)	**(2,138,759)**	(712,524)
Related party loan proceeds	**–**	–	**–**	1,000,000
Related party loan repayment	**–**	(1,000,000)	**–**	(1,000,000)
Interest paid on concession fees payable	**(3,846))**	(7,623)	**(19,543)**	(18,561)
	(55,057,195)	8,337,274	**55,041,498**	14,550,504
Change in cash and cash equivalents during the period	**51,960,257**	6,530,789	**48,007,136**	7,300,423
Cash, beginning of the period	**3,681,905**	3,038,148	**7,635,296**	2,268,514
Cash and cash equivalents, end of period	**55,642,432**	9,568,937	**55,642,432**	9,568,937
Non-cash investing activities				
Capitalized depreciation	**22,146**	19,366	**84,209**	64,532

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 and nine months ended September 30, 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, Ontario, Canada, M5C 1P1.

Amarillo is a development stage company engaged in the acquisition, exploration, and development 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.

Management is not aware of any cases of Covid-19 infection among its personnel and the outbreak has not had a significant impact on operations to date. Management has an appropriate response plan in place, and will continue to monitor and assess ongoing developments and respond accordingly. However, the Company’s business could be adversely impacted by the effects of the Covid-19 or other pandemics.

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
- maintaining the Company's interest in the underlying mineral claims
- the Company’s ability to obtain necessary financing to complete their development
- establishing profitable production in the future or selling the properties for sufficient proceeds.

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 that it will be able to do so in the future. For the nine months ended September 30, 2020, the Company has a net loss of $1,404,842 and negative cash flows from operating activities of $2,183,126. In addition, the Company has an accumulated deficit of $41,738,241.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue to operate for the foreseeable future and 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 obtain financing and to attain profitable operations. There are no assurances that the Company will successfully achieve 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 using 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). The accounting policies used are consistent with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. 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 that conform to IAS 34 requires management to make judgments, estimates, and assumptions that affect how these policies are applied 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. This results in 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 preparing 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

Amarillo uses its capital structure and the funds its capital generates to acquire, explore, and develop mineral properties. The Company's capital is made up of share capital, other equity components, and accumulated deficit. It totalled $91,325,476 at September 30, 2020 (December 31, 2019 – $37,669,277).

Amarillo depends on external financing to fund its activities, because all the properties that the Company has an interest in are in the exploration and development stage. The Company will continue to assess new properties and may seek to acquire interests in more properties if:

- there is enough geologic or economic potential, and
- the Company has the financial resources to do so.

The Board of Directors has not set quantitative return on capital criteria for management, and relies on the expertise of the Company's management team to sustain the future development of the business.

Management believes that its approach to capital management is appropriate to the size of the Company. It reviews this approach on an ongoing basis, and made no changes during the nine months ended September 30, 2020.

The Company and its subsidiaries are not subject to any externally imposed capital requirements.

4. Financial risk factors

The Company's management team is responsible for managing these risks. It receives guidance from the Audit Committee under policies approved by the Board of Directors, which also provides regular guidance on overall risk management.

Amarillo's activities expose it to three key financial risks:
- credit risk
- liquidity risk
- market risk.

Credit risk

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

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

Management believes that the credit risk for financial instruments included in accounts receivable is remote. Most of the receivables are made up of taxes receivable, so no amount was applied to the expected credit losses.

As at September 30, 2020 and December 31, 2019, no accounts receivable was considered impaired or past due.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its short-term financial obligations.

The Company's goal in managing this risk is making sure it can meet its liabilities when they are due. However, 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 favourable (Note 1).

At September 30, 2020, the Company had a cash and cash equivalents balance of $55,642,432 (December 31, 2019 – $7,635,296) to settle current liabilities of $1,152,320 (December 31, 2019 – $1,602,688).

Market risk

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

(a) Interest rate risk
The Company regularly monitors its cash management policy of investing excess cash in high yield savings accounts. 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. It transacts major purchases in Canadian dollars and Brazilian Reais (R). It maintains a Brazilian Real-denominated bank account to fund exploration expenses with enough 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 September 30, 2020, the Company was not a gold producer. However, gold price risk affects the completion of future equity transactions like 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 nine-month periods ended September 30, 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 nine-month period ended September 30, 2020 by approximately $69,800 (September 30, 2019 – $12,200).

   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 nine-month period ended September 30, 2020 by approximately $98,800 (September 30, 2019 – $7,700).

5. Categories of financial instruments

	September 30, 2020 $	December 31, 2019 $
Financial assets		
FVTPL		
Cash and cash equivalents	**55,642,432**	7,635,296
Amortized cost		
Accounts receivable, excludes HST/GST receivable	**15,133**	12,881
Receivable from WPC	**1,166,649**	–
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	**885,841**	1,014,594
Due to related parties	**–**	224,500
Concession fees payable	**818,659**	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 to make 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 using either direct observable inputs (i.e., prices) or indirect observable inputs (i.e., derived from prices) for the asset or liability, other than the quoted prices in Level 1
- 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 and cash equivalents, 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 September 30, 2020 and December 31, 2019, cash and cash equivalents were measured at fair value and are classified within Level 1 of the fair value hierarchy.

6. Resource properties and deferred exploration expenditures

	Mara Rosa $	Lavras do Sul $	September 30, 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	**1,315,518**	**94,916**	**1,410,434**	1,957,876
Drilling and related costs	**414,599**	**347,651**	**762,250**	780,183
Assays and metallurgy	**303,365**	**90,135**	**393,500**	319,156
Aeromagnetic survey	**–**	**–**	**–**	125,249
Exploration	**–**	**100,407**	**100,407**	14,475
Transportation	**17,741**	**10,526**	**28,267**	21,414
Concession taxes	**91,836**	**13,595**	**105,431**	106,020
Travel	**18,293**	**172**	**18,465**	71,781
Depreciation	**83,801**	**408**	**84,209**	91,096
Salaries	**273,021**	**112,049**	**385,070**	615,526
Other evaluation and exploration expenses	**103,097**	**67,735**	**170,832**	263,983
ANM concession fees recoverable from WPC (Note 14)	**(1,640,000)**	**–**	**(1,640,000)**	–
	981,271	**837,594**	**1,818,865**	4,366,759
Balance, end of period/year	14,391,921	14,002,491	28,394,412	26,575,547
Total	**15,533,352**	**16,970,579**	**32,503,931**	30,610,913

Mara Rosa

The Mara Rosa Property, which includes 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 described below, and the mining concessions (the Posse Gold Project) that cover an area totalling 2,553 hectares.

This property is 100% controlled by Amarillo, although the ground is subject to a:

- 1% Net Smelter Return (NSR) royalty to Franco Nevada Corporation, and
- 1.0% NSR royalty to Royal Gold, Inc. that was increased to 2.75% as of June 29, 2018.

On June 29, 2018 the Company entered into an agreement to sell a 1.75% NSR royalty on the Posse Gold Project (the Royalty Agreement) to RG Royalties, LLC, for US$10,800,000 (Cdn $14,221,440). RG Royalties is a wholly-owned subsidiary of Royal Gold, Inc. (Royal Gold).

The Company's obligations under the royalty will be secured by Posse Gold 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 kilometres 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 a mining concession before November 19, 2021. These tenements are also subject to a 1% net smelter royalty payable to the acquiree that can be purchased for US$500,000.

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 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.

Amarillo's requirements under the option terms are to:
- pay US$1,265,000 through various instalments up to January 31, 2008, to acquire an initial 60% interest in the property – payments made
- issue 2,000,000 warrants exercisable at $0.50 to Rio Tinto within 60 days of signing the final agreement – these warrants were issued and expired on January 22, 2010
- spend US$2,550,000 by January 31, 2008 exploring the property – spent.

Having met these 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 have to pay a 1.5% NSR royalty on production. The Company has not entered into a joint venture, but continues to negotiate this agreement with prospective partners. Amarillo may withdraw from this agreement at any time by giving 30 days written notice.

If Amarillo forms a joint venture with the underlying owners as set out in the option agreement, Amarillo must also make the following payments to Rio Tinto:
- US$806,000
- US$1,000,000 within 90 days of delivering a bankable feasibility study
- US$6,500,000 for every million ounces of recoverable gold reserves discovered on the property where Rio Tinto has an option to acquire a 60% equity interest.

Rio Tinto has a back-in right to acquire 70% of the Amarillo interest in the project by paying Amarillo three times their exploration expenditures if Amarillo's equity interest in the property contains more than 7 million ounces of recoverable gold.

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

Under the agreement, Amarillo can earn a 51% interest by spending US$800,000 on exploration over three years that includes at least 2,000 metres drilling. At least US$200,000 must be spent in the first 12-month period. If IAMGOLD does not 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.

Once a feasibility study is completed on the Property, IAMGOLD has 60 days to choose one of the following three options:

- contribute its pro rata share to future funding.
- Dilute its interest to a 2.0% NSR; Amarillo can buy back 1.0% of this NSR for US$1,000,000 any time before production starts.
- If Amarillo has identified a gold mineral reserves that's at least 2.5 million ounces on the Property, IAMGOLD can exercise a one-time back-in right to increase its participating interest to 60% and become the operator by paying three times Amarillo's exploration costs up to the date that IAMGOLD exercised this right.

Amarillo met its commitments in the IAMGOLD agreement as of December 31, 2012, 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	**1,273,397**	**37,848**	**65,189**	**27,178**	**1,403,612**
Balance as at September 30, 2020	**3,085,468**	**209,511**	**247,781**	**95,574**	**3,638,334**
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	**–**	**65,520**	**16,364**	**3,510**	**85,394**
Balance as at September 30, 2020	**–**	**173,832**	**113,791**	**45,822**	**333,445**
Carrying amounts					
At December 31, 2019	1,812,071	63,351	85,165	26,084	1,986,671
At September 30, 2020	**3,085,468**	**35,679**	**133,990**	**49,752**	**3,304,889**

Depreciation for the period ended September 30, 2020 amounting to $84,209 (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 under 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	**191,404,814**	**62,839,327**
Private placement and prospectus offerings, net of issuance cost (iv)	190,666,000	55,061,041
Balance, September 30, 2020	**382,070,814**	**117,900,368**

(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 two 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%.

The total cost of the 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 a payable of $113,748. 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.

(iv) On August 13, 2020, the Company closed a combined private placement and short form prospectus offering (the "Offerings") through the issuance of 190,666,000 common shares of the Company at a subscription price of $0.30 per common share for aggregate gross proceeds to the Company of $57,199,800. The Company paid total commissions of $1,710,696, plus legal, filing and other related costs of $424,513 for aggregate cost of issue of $2,138,759 and net proceeds of $55,061,041.

Management and directors of the Company subscribed for 1,940,000 common shares for an aggregate amount of $582,000.

Mackie Research Capital Corporation (Mackie) offered the private placement, purchasing 118,967,000 common shares for $35,690,100 on an underwritten basis as sole underwriter and bookrunner. Mackie also led the public offering as lead underwriter and sole bookrunner on behalf of a syndicate of underwriters including Sprott Capital Partners LP (the Underwriters). The Underwriters purchased 71,699,000 common shares for $21,509,700 for the bought deal short form prospectus offering.

As consideration for the services rendered in connection with the Offerings:

- Mackie received a cash commission of up to 4.0% of the gross proceeds from the private placement
- the Underwriters received a cash commission of up to 6.0% of the gross proceeds from the public offering.

(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)	0.32	(127,614)
Balance, December 31, 2019	85,621,836	0.38	6,399,688
Expired	(9,213,886)	0.38	(1,106,588)
Balance, September 30, 2020	**76,407,950**	**0.30**	**5,293,100**

Details of the warrants outstanding are as follows:

Expiry date	Number	Weighted average exercise price $
May 31, 2021	25,424,435	0.30
June 14, 2021	958,515	0.30
August 29, 2021	50,025,000	0.30
	76,407,950	**0.30**

(d) Broker compensation options

As described in Note 8(b)(ii), 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 at a minimum over a period of 12 months.

	Number of options	Weighted 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 September 30, 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	0.59
1,000,000[1]	0.28	308,132	0.75
200,000[1]	0.37	64,671	1.38
500,000[1]	0.36	156,472	1.69
15,000[1]	0.31	3,750	2.16
4,590,000[1]	0.31	1,237,464	2.27
200,000[1]	0.23	40,000	2.65
50,000[1]	0.22	10,000	2.69
1,400,000[1]	0.23	318,640	2.97
100,000[1]	0.21	23,170	3.02
300,000[1]	0.28	50,580	3.75
4,300,000[1]	0.25	751,402	3.99
400,000[2]	0.25	69,898	3.99
13,495,000	**0.28**	**3,124,700**	**2.78**

[1] Exercisable as at September 30, 2020.
[2] Exercisable upon the granting of the license to install 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 September 30, 2020 was based on the loss attributable to common shareholders of $433,050 (September 30, 2019 – $1,539,793) divided by the weighted average number of common shares outstanding of 292,955,184 (September 30, 2019 – 158,781,908).

The calculation of basic and diluted loss per share for the nine months ended September 30, 2020 was based on the loss attributable to common shareholders of $1,404,842 (September 30, 2019 – $3,135,299) divided by the weighted average number of common shares outstanding of 225,502,018 (September 30, 2019 – 132,339,855).

10. Related party loan

	September 30, 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 September 30, 2020 and December 31, 2019, the balance due to related parties is comprised of the following:

	September 30, 2020	December 31, 2019
	$	$
Due to corporations controlled by directors	–	28,750
Due to directors	–	195,750
	–	224,500

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

During the three- and nine-month periods ended September 30, 2020 and 2019, the Company incurred charges with directors, officers and companies with a common director as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
	$	$	$	$
Salaries paid to officers	**125,000**	125,000	**375,000**	375,000
Directors' fees	**52,500**	70,000	**157,500**	120,000
Exploration costs charged by director's corporation	–	57,498	–	113,748
	177,500	252,498	**532,500**	608,748

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:

	Notes	Three months ended September 30 2020 $	2019 $	Nine months ended September 30 2020 $	2019 $
Consulting fees		**82,925**	167,810	**210,392**	283,281
Professional fees		**150,488**	244,014	**541,887**	631,346
Salaries and benefits	11	**171,309**	172,511	**525,121**	526,508
Directors' fees	11	**52,500**	70,000	**157,500**	120,000
Marketing and promotion		**26,841**	92,630	**79,894**	253,655
Filing and transfer agent fees		**19,611**	19,863	**69,577**	61,556
Travel		**–**	13,582	**9,625**	28,340
Other general and administrative		**32,259**	65,306	**141,002**	189,272
		535,933	845,716	**1,734,998**	2,093,958

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 $
September 30, 2020			
Current assets	**53,770,614**	**2,748,049**	**56,518,663**
Receivable from Western Potash – long-term portion	**702,493**	**–**	**702,493**
Resource properties and deferred exploration expenditures	**–**	**32,503,931**	**32,503,931**
Property and equipment	**–**	**3,304,889**	**3,304,889**
	54,473,107	**38,556,869**	**93,029,976**
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 receivable from WPC

(a) The Company entered into a services agreement (the Services Agreement) dated April 28, 2008 with Western Potash Corporation (WPC), a British Columbia company. This 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 and now renamed ANM), 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 that 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 ANM for a total gross amount of TAH payments, penalties, and interest of R$4,660,707. ANM 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 be liable to the ANM 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, ANM advised AMB that its appeal had not been allowed. ANM brought proceedings against AMB for the unpaid TAH on the Exploration Permits for 2013 and 2014 in the amount of R4,790,407. The ANM has also levied penalties in the amount of R600,769. The combined total of the unpaid TAH and penalties was R5,391,176 as at August 4, 2017.

In order to avoid enforcement proceedings by the ANM 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 ANM to pay an estimated monthly amount of R93,778 or a total of R5,626,642 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, and that it was done under protest and without any waiver of its claims against WPC. The Company recorded the initial liability of R5,626,642 (CAD$1,982,266) and along with a foreign exchange adjustment of R171,687 (CAD$60,415) a total of R5,798,785 (CAD$2,042,681) was capitalized at the Mara Rosa properties.

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

	September 30, 2020 $	December 31, 2019 $
Balance, beginning of year	**1,365,191**	1,802,910
Accrued interest	**19,543**	71,158
Repayment	**(227,372)**	(379,175)
Foreign exchange adjustment	**(338,703)**	(129,702)
Balance, end of period/year	**818,659**	1,365,191
Less: current portion	**266,479**	363,594
Long-term portion	**552,180**	1,001,597

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

	September 30, 2020 R	December 31, 2019 R
Balance, beginning of year	**4,225,288**	5,128,732
Accrued interest	**75,877**	221,884
Repayment	**(843,996)**	(1,125,328)
Balance, end of period/year	**3,457,169**	4,225,288
Less: current portion	**1,125,328**	1,125,328
Long-term portion	**2,331,841**	3,099,960

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

	$	**R**
2020	133,239	562,664
2021	266,478	1,125,328
2022	266,478	1,125,328
2023	111,032	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 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.

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 up to May 10, 2019, and special costs after that date (together the Award) to the Company.

On April 15, 2020, the Company and WPC agreed to settle this dispute (the Agreement). Under the Agreement, WPC will pay Amarillo $426,000 for a portion of payments made by the Company from June

2018 until February 2020. This amount will be repaid in 24 monthly instalments of $17,000 starting on April 28, 2020 and ending March 28, 2022. A final instalment of $18,000 will be paid on April 28, 2022. WPC has the right to pay any balance owing in a lump sum at any time.

WPC has also assumed full responsibility for the outstanding taxes payable to ANM. This amount was R$4,540,748 (CDN$1,383,742) at February 29, 2020.

WPC will pay Amarillo $33,000 every month, starting with March 2020. The March payment was made on April 21, 2020. Every payment thereafter will be made on the 28th day of every month, up to and including May 28, 2023, as AMB continues to pay the outstanding taxes to ANM. The monthly payments are subject to quarterly adjustments to account for the fluctuations in the exchange rate between the Canadian dollar and Brazilian real. These adjustments began on July 15, 2020.

WPC also agreed to pay the costs awarded by the Court within 14 days of agreeing to the amount. On April 29, 2020, it was agreed that WPC would pay $187,000 to satisfy the Award. This amount was recorded as a recovery of legal expenses in the Company's statement of loss and comprehensive loss for the three-month period ended June 30, 2020.

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 that records WPC's obligations of WPC under the terms of the Agreement (the Consent Award). This Consent Award terminated the Arbitration without costs to any party.

If WPC defaults on any payment of the Settlement Amounts, and does not remedy this default within 15 days of the payment due date, then the entire amount remaining to be paid by WPC shall become immediately due and payable. Amarillo will 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 be entitled to proceed against WPC to collect the outstanding amount.

The Settlement Amounts were recorded as a reduction in the carrying value of the Mara Rosa properties. The Settlement Amounts total $1,640,000 and include:

- $426,000 in payments previously made by the Company
- a $1,214,000 (R$4,061,559) liability to ANM at the end of February 2020.

The following table shows the continuity of the receivable from WPC:

	September 30, 2020 $	December 31, 2019 $
Settlement for previous payments		
Balance, beginning of year	**–**	**–**
Settlement amount	**426,000**	**–**
Amount received	**(102,000)**	**–**
Balance, end of period/year	**324,000**	**–**
Less: current portion	**204,000**	**–**
Long-term portion	**120,000**	**–**
Receivable for ANM concession fees payable		
Balance, beginning of year	**–**	**–**
ANM fees payable at end of February 2020 (R$4,061,559)	**1,214,000**	**–**
Amount received	**(209,633)**	**–**
Foreign exchange adjustment	**(161,718)**	**–**
Balance, end of period/year	**842,649**	**–**
Less: current portion	**260,156**	**–**
Long-term portion	**582,493**	**–**
Total receivable from WPC		
Total current portion	**464,156**	**–**
Total long-term portion	**702,493**	**–**
Total	**1,166,649**	**–**

15. Contingency

Due to the nature of the Company's operations, 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.

16. Subsequent event

On October 1, 2020, after concluding its annual and special meeting of shareholders, the Company granted 7,930,000 options to purchase common shares of the Company. These options are exercisable at a price of $0.33 per common share, expire on October 1, 2025, and were granted to certain directors, officers, consultants, and employees of the Company.

17. Authorization

These condensed interim consolidated financial statements for the nine months ended September 30, 2020 and 2019 were reviewed and adopted by the Company's Audit Committee and full Board of Directors on November 24, 2020, and subsequently certified by the Company's Chief Executive Officer and Chief Financial Officer.