

Amarillo signs power line agreement as State of Goiás reaffirms support for Posse

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TORONTO, Jan. 27, 2021 - [Amarillo Gold Corp.](#) has made a significant step toward building its Posse Gold Mine in Brazil. It has signed a commitment agreement with Enel Brasil, the state electric power utility, to build a dedicated power line to the Company's Mara Rosa Property in the State of Goiás.

"Once complete, this power line will be a much-needed lasting legacy, enhancing the power grid infrastructure of the communities in and around Mara Rosa," said Ar?o Portugal, Amarillo's Country Manager for Brazil. "It also represents our commitment to operational excellence and building strong local infrastructure."

The 67 kilometre long 138 kilovolt power line will connect Posse with the Porangatu substation and supply all of the electricity needed for the project. Amarillo is overseeing the engineering and permitting process, assisted by Enel. Construction can start once the permit for the power line is received. It will cost about BRL\$36 million (CDN\$9 million) to build and is expected to take approximately 12 months.

"We have achieved another important milestone in Posse's development, even as we wait for the License to Install (LI) from the state regulators," said Mike Mutchler, Amarillo's Chief Executive Officer.

The governor of the State of Goiás signaled that work was progressing on finalizing Lis for 14 mining projects in Goiás during a meeting announcing mining investment in the state on Monday, January 25, 2021.

Governor Ronaldo Caiado, Secretary for Industry, Commerce and Services Adionidio Neto, and Secretary of Environment Andreia Vulcanis signed a Protocol of Intent with other state officials authorizing the companies to proceed with their proposed developments in Goiás.

The meeting included state government officials and other government officials that support mining activities in the state, representatives of the mining companies, and diplomatic representatives of the nine countries represented by the companies.

Amarillo's Posse Project is one of two new mining projects set for construction in the state, and the only gold project. The other 12 projects are expansion projects at existing operations. The 14 projects represent a mining investment of approximately BRL\$9 billion in the state over two years.

The Company is evaluating its construction timeline in anticipation of receiving the LI.

"Despite the ongoing Covid-19 pandemic, we have made significant progress over the last several months by diligently advancing the project in a way that minimizes risk for all stakeholders involved," said Mutchler. "This is a strategy that will maximize returns for our shareholders as we develop an operating mine that we can all be proud of."

Financing work ongoing

The Company continues to work on securing a financing package for Posse including progress towards the completion of an independent technical engineering review. Amarillo's current cash balance is CDN\$52.4 million, which is enough capital for the Company to meet its short-term obligations, place long lead time orders, and complete a CDN\$3.5 million exploration program at its two properties in 2021.

Construction preparations continuing

LQ Consulting and Management Inc. has been hired as Amarillo's project management team for Posse, and has begun work on a project execution plan that will help management re-evaluate the construction timeline.

Based in Oakville, Ontario, LQ's team has significant experience overseeing projects of all sizes in mining, power, infrastructure, and other industries. The team was worked all over the world with projects at all stages of development.

Detailed engineering is progressing, and deposits have also been made on certain long lead time equipment items to secure drawings to advance the engineering. In addition, staffing levels have been increased incrementally in Brazil in anticipation of breaking ground.

Exploring to expand

An induced polarization survey is currently underway at Mara Rosa, and an 8,500 metre drilling program is planned in the first quarter to follow up and test exploration targets along the Posse North Trend. Gold anomalies have been found up to 8.0 kilometres northeast of the Posse Gold Deposit and support the theory that there are additional near-surface gold deposits along the Posse North Gold Trend. The planned drilling is being done with the aim of expanding the Company's reserves and mine life.

Posse: low costs and a strong financial return

The Posse Gold Project is located on the Company's Mara Rosa Property in the Goi's State of Brazil. It will be built into an open pit mine and carbon-in-leach operation with dry stack tailings. A definitive positive feasibility study released in June showed that Posse will produce gold at an all-in sustaining cost of \$656 per ounce, based on a gold price per ounce of US\$1,730 and a foreign exchange rate of 5.3 BRL to 1 USD. Posse has an initial mine life of 10 years, initial gold production of 104,000 ounces per year, and an after-tax net present value 5% of \$360 million.

[Amarillo Gold Corp.](#): on track to becoming a Brazilian gold producer

Amarillo is advancing two gold projects located near excellent infrastructure in mining-friendly states in Brazil.

The development stage Posse Gold Project is on its Mara Rosa Property in Goi's State. It has a positive definitive feasibility study that shows it can be built into a profitable operation with low costs and a strong financial return. Mara Rosa also shows the potential for discovering additional near-surface deposits that will extend Posse's mine life beyond its initial 10 years.

The exploration stage Lavras do Sul Project in Rio Grande do Sul State has more than 22 prospects centered on historic gold workings.

Amarillo trades on the TSXV under the symbol AGC and the OTCQB under the symbol AGCBF. Visit www.amarillogold.com to learn more.

Qualified Person

Michael Durose, P.Geo., Consulting Geologist for [Amarillo Gold Corp.](#) and a qualified person as defined by Canadian National Instrument 43-101, has reviewed and approved the scientific and technical information contained in this release.

For further information, please contact

Mike Mutchler	Annemarie Brissenden
President & CEO	Investor Relations
416-294-0736	416-844-6284
mike.mutchler@amarillogold.com	annemarie.brissenden@amarillogold.com

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Permission from the government and community is also required to proceed with future mining production. Readers should review the Company's ongoing quarterly and annual filings, as well as any other additional documentation comprising the Company's public disclosure record, for additional information on risks and uncertainties relating to these forward-looking statements.

Readers should also review the risk factors applicable to junior mining exploration companies generally to better understand the variety of risks that can affect the Company. The Company undertakes no obligation to update publicly or otherwise revise any Forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law.

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