

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Mar 7, 2017) - In the news release "Amarillo Gold's Updated Pre-Feasibility Study at Mara Rosa delivers Post Tax IRR of 35% with a 2.2 year payback @ \$1200/oz Au," issued earlier today by [Amarillo Gold Corp.](#) (TSX VENTURE:AGC), we are advised by the company that in Table 1, the Post-tax Payback Period figures were swapped. Complete corrected text follows.

[Amarillo Gold Corp.](#) (TSX VENTURE:AGC) ("Amarillo" or the "Company") is pleased to announce the results of an updated Pre-feasibility Study ("PFS" or "Study") in accordance with National Instrument 43-101 ("NI 43-101") on the Posse gold deposit within its 100% owned Mara Rosa project located in the state of Goias, central Brazil. Two open cut mining scenarios were investigated in the updated PFS, one where the mining equipment is owner operated, the other where the mining is carried out by contractors. The contract mining scenario was selected as our main base case, primarily due to a significantly lower initial CAPEX and a higher internal rate of return (IRR). A gold price of US\$1,200 per troy ounce and a USD/BRL exchange rate of 3.20 were applied in the base case economic model, all currencies are quoted in US dollars unless otherwise specified.

Highlights of the contract mining scenario follow:

- Initial capital expenditure (including working capital) \$148M USD;
- Post-tax internal rate of return (IRR) of 35.2%;
- Post-tax net present value using 5% discount rate of \$178M USD;
- Post-tax project payback of 2.2 years;
- Cash operating cost: \$545/oz Au;
- All-in sustaining costs (AISC) of \$627/oz Au*
- EBITDA: Average \$85.6M USD per year over first 4 years;
- Average annual gold production 140,000 ounces over first 4 years
- Average Life of Mine (LOM) production 112,000 ounces per year over 8 years;
- Proven and probable mineral reserves of 997,536 ounces of gold (2011: 945,000 ozs).
- Total gold recovered over LOM is 892,000 ounces- after considering dilution 3% and plant recovery 92%;
- Average operating strip ratio for waste to ore of 4.5:1 for LOM.

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

The updated PFS indicates that the Mara Rosa project represents a robust, rapid pay-back, single open pit mining operation with key economic metrics showing a marked improvement compared to the previous 2011 study. The principal factors driving these changes are local currency devaluation, reduced strip-ratios, low grade stock piling, optimized pit scheduling and post 2011 drilling which increased gold reserves.

The project is expected to have a positive impact on the GDP of the surrounding region, generating over \$1 billion of gross revenue and contributing approximately 300 permanent jobs over Life of Mine.

Buddy Doyle, Amarillo CEO commented: "This updated Pre-feasibility Study firmly establishes superior economics for our Mara Rosa project. The project benefits from being a simple, open pit, proposed mining operation with a rapid after-tax payback period of only 2 years." He further stated: "Amarillo is pleased to be in the pro-mining state of Goias where we are surrounded by excellent infrastructure and multiple operating mines, the project has already received it's LP permit and we have a clear road map to obtaining our, LI permit, which gives permission to mine."

The updated PFS was initiated in January 2017 after the release of an updated Resource Estimate for the Posse deposit in July 2016 which included geotechnical investigations and other fieldwork to support the study. The updated PFS was prepared and led by SRK Consulting in collaboration with ONIX Engineering & Consulting, both based in Belo Horizonte - Brazil. The resource statement was supplied by Australian Exploration Field Services out of Ballarat, Australia.

One of the highlights of the study is the greatly reduced strip ratio, this has resulted due to the following changes from the 2011 study:

- The 2013 Geotechnical study allowed the footwall to be raised to 48° reducing the 2011 PFS pit from an 8.2:1 strip to a 6.4:1 strip;
- By lowering the economic resource cut-off, from 0.5g/t in the 2011 study, to 0.38 g/t in this study;

- Post 2011 drilling converted inferred resources into indicated and measured;
- Using smaller 45 tonne domestically manufactured trucks thereby reducing the haul road width from 20m to 12m, effectively steepening the walls further.

The lower strip reduces the amount of material needed to be moved, greatly improving the project economics. A further significant improvement is the mine scheduling. Using low and medium grade stockpiles, allows the proposed mine to have a head grade of 2 g/t for the first 3 years. The exchange rate movement has also been favorable. Increased mining and power cost and the necessity to line the Tailings Dam have impacted negatively on the economics. Table 1 shows the main difference between the 2011 and 2017 studies.

Table 1: 2011 PFS criteria compared with the current update

Category	2011 PFS by Coffey	2017 PFS by SRK
Exchange Rate USD: BRL	1.9	3.2
Initial Capex	\$184M USD	\$148M USD
Post-tax IRR	26.6%	35.2%
Post-tax Payback Period	3 Years	2.2 Years
Cash operating cost	\$464/oz	\$545/oz
Average production (Years 1-4)	125,000 ounces	140,000 ounces
Average annual production	124,000 ounces	112,000 ounces
LOM recovered gold	870,000 ounces	892,000 ounces
LOM operating strip ratio	8.2:1	4.5:1
Pit Slope (inter-berm angle)	67 deg HW 40 deg FW	65 deg HW 48 Deg FW
Resource M & I combined 0.5g/t cut-off	1,174,900 ozs Au ¹ 5.46MT @ 2.04 g/t Au Measured, 15.39MT @ 1.65 g/t Au Indicated	1,210,100 ozs Au ² 8.887MT @ 1.98 g/t Au
Mineable reserve	945,000 ozs Au Proven and Probable	997,563 table 4 ozs Au
Stockpiling	Not evaluated	Evaluated
Mining fleet	110 tonne trucks imported and 45 tonne domestic	45 tonne only to be imported
Mining cost	\$1.40 per tonne owner operated	\$2.35 per tonne contract
Energy	\$US 0.05 per kWh	\$US 0.08 per kWh
Gold Price	\$1,100/ounce pit shell; \$1200/ ounce for economic model	\$1200/ounce pit shell
Tailings Facility	Clay lined \$US14m LOM CAPEX	Membrane Lined \$23m
Mining dilution	3% mining and 3% handling	3% mining and 3% handling
Metallurgical recovery	92%	92%

1. QP for this reserve statement is Keith Whitehouse and Norman Lock, Nov 2011.

2. QP for this reserve statement is Keith Whitehouse for the resource at a 0.5g/t cut-off for a 0.35 g/t cut-off see table 3.

Contract mining was chosen to headline this study as it saves nearly \$40 million in total capital expenditure and provides a higher IRR with only a small decrease in NPV compared to the owned mining equipment scenario, table 2 illustrates the basic economic parameters of the two scenarios. The contract mining cost were determined by selecting the second most expensive of four separate quotes, from Brazilian contract mining providers.

Table 2: Updated PFS comparing contract mining and owner operated mining

Category	Contract mining	Owner Mining
NPV ₅	178M	190M
IRR	35%	33.5%
Mining Cost/ t	\$ 2.35	\$ 1.75
OPEX/ t	\$ 25.58	\$ 22.28
CAPEX initial + working	\$ 148M	\$ 164M

During the pit optimization process carried out by SRK it became clear that a lower gold grade cut-off value of 0.38 g/t Au, aided in the scheduling optimization and lowered the strip. Company management agreed to this change and Keith Whitehouse the QP for the resource model provided a new block model at a 0.35g/t cut-off. Table 3 states this new resource.

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

Category	Tonnes Mt	Grade g/t	Ounces of Au
Measured	10	1.80	580,000
Indicated	15	1.40	670,000
M & I Total	25	1.56	1,250,000
Inferred	8.4	1.10	300,000

SRK applied a 0.38 g/t Au cut-off to the block model and generated optimized Pit, tails and waste rock designs based on the

parameters given in the LP permit. The Measured and Indicated blocks that fit within this pit shell can be categorized as Proven and Probable reserves as listed in Table 4.

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

Category	Tonnes MT	Grade g/t	Ounces of Au
Proven	9.27	1.81	540,567
Probable	9.74	1.46	456,968
P & P Total	19.01	1.63	997,536

SRK has also provided a gold price sensitivity analysis based on the projects economic model. This shows the project is robust down to \$1000 per ounce and is highly levered to better but historic gold prices.

Table 5 Project sensitivity to the gold price

Au price	\$ 1000	\$ 1100	\$ 1200	\$ 1300	\$ 1400	\$ 1500
IRR	20%	28%	35%	42%	49%	56%
Payback Period	3.5 years	2.7 years	2.2 years	1.9 years	1.7 years	1.5 years
NPV ₀	\$ 130M	\$ 187M	\$ 243M	\$ 300M	\$ 357M	\$ 413M
NPV ₅	\$ 84M	\$ 131M	\$ 178M	\$ 223M	\$ 273M	\$ 320M
NPV ₇	\$ 69M	\$ 113M	\$ 157M	\$ 202M	\$ 254M	\$ 289M
NPV ₁₀	\$ 49M	\$ 89M	\$ 129M	\$ 169M	\$ 210M	\$ 249M

The PFS proposes a single open pit mined by conventional shovel and truck methods at a nominal ore mining rate of 2.5 million tonnes per annum for approximately eight years with Year 1 being the first full year of commercial gold production. A total of 105 MT of material will be mined to produce 19 MT of ore (strip ratio of 4.5: 1). Run-of-mine ("ROM") ore will be crushed and grinded to a 45 micron feed size and run through a conventional CIL mill.

The mine requires 4.5 million tonnes of waste pre-stripping during the pre-production period at a total cost of \$14.0 million.

The project will employ contract mining with conventional open-pit mining using drill and blast, hydraulic excavators, haul trucks, and auxiliary mobile equipment to support a mining operation of a nominal 2.5 million tonnes per year of ore and a maximum of 20 million tonnes per year of waste.

The ROM ore will be hauled from the open-pit with 45 tonne haul trucks and dumped directly into a hopper that feeds the primary crusher. A small stockpile will be established at the primary crusher area. Two ore stockpiles are proposed for material grading between 0.3 g/t and 0.8 g/t Au which will be processed later in the mine life. Waste material will be also moved by 45 tonne trucks. The use of smaller local made trucks allow for simple switching between owners fleet and or contract mining.

The PFS incorporates a conventional Carbon in Leach ("CIL") circuit preceded by a pre-oxidation stage ("Pre-Ox").

The plant consists of a conventional crushing circuit (including tertiary crushing) followed by primary and secondary milling in closed circuit with cyclones. After adding lime to lift the pH to 12 (using 2kg/t of lime), the final pulp (P80 @ 45microns) is sent to the Pre-Ox tanks (3 tanks) where it is agitated for 12 hours using oxygen from a PSA (Pressure Swing Absorption) unit. The high pH and oxygen prevent passivation of the telluride surfaces. The pulp is then moved to the CIL tanks where it is contacted with cyanide (0.24kg per tonne of pulp) and activated carbon in a typical CIL circuit of six agitated tanks for a total of 24 hours.

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

Tails from the CIL circuit are thickened to recover some of the solution before the thickened pulp is subjected to detoxification using SO₂/air and a copper sulphate catalyst to destroy free cyanide before being pumped to a tailings storage facility (TSF). The water from the TSF is re-circulated to the plant under conditions of zero discharge. Water for the mine is collected from the tailings catchment and from water made from the pit.

The Project benefits from good infrastructure development with the planned mine-site layout facilitating a compact design with pit-proximal process plant, TSF and waste dump. There is a railway within 1.5 km of the pit, a major national highway 11 km away and Mara Rosa, a small town of 12,000 people, 5 km away. A 4-km gravel road connects the deposit to a recently asphalted state highway. Electrical power for the project operations will be provided by installing a 63km long, 138kV power line. The present 69 kV power line does not contain enough excess capacity to be used during construction period. Peak demand of the process plant is calculated at 12.7 MW and continuous running demand is calculated at 11.3 MW. Power will be distributed throughout the site at 13.8 kV, reducing to 460 volts for all smaller motors. The line is expected to cost \$7.9M and power will be

provided at \$ 0.08 kWh.

Amarillo is very pleased with the outcome of the updated PFS study. The Company is focused on completing the next stage of the permitting process which includes continuous environmental monitoring, detailed engineering of the tailings dam, basic engineering at feasibility level and procuring surface rights as well as other social and archeological studies. This LI (installation license) permit allows mine construction to begin.

As result of this study the company also plans further resource definition drilling, which would have the potential expand mine life. The planned pit shell is controlled in part by the availability of indicated and measured resource blocks. The pit reaches a depth of 260m in the SE. It is possible that the pit could be extended at similar depths to the NW if inferred blocks are converted to Measure and Indicated with further drilling.

Prior to initiating a Feasibility study the company has instructed SRK to investigate lower throughput alternatives designed to give management an understanding of options available to the project, with emphasis on lower CAPEX, lower through-put designs. Having more knowledge of different scenarios will give management the tools to navigate different market conditions, should this be required.

SRK will supply at 43-101 report which will be filed on SEDAR and Amarillo's website within 40 days of this release.

The principal Qualified Person for this news release is Rubens Mendonca, MAUSSIM and chartered professional of SRK Consultores do Brasil Ltda (SRK Consulting), Belo Horizonte who prepared in part and has supervised the preparation of, or approved the scientific and technical disclosure in this news release. Keith Whitehouse of Australian Exploration Field services of Ballarat, Australia, prepared the resource statement in this news release. Frank Baker qualified person for the company has also reviewed and help prepare the scientific and technical disclosure in this release. An updated presentation reflecting these results has been posted to the company's website.

ON BEHALF OF THE BOARD OF DIRECTORS

[Amarillo Gold Corp.](#)

Buddy Doyle, President

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FORWARD LOOKING STATEMENTS:

This news release contains Forward Looking Statements regarding our intentions and plans. Forward looking statements in this news release include the numbers estimated for 2017 and the time line for completion. Various factors may prevent or delay our plans, including but not limited to, the ability to raise funds, contractor availability and performance, weather, access, mineral prices and success and failure of the exploration and development carried out at various stages of the program. Permission from the Government and community is also required to proceed with future mining production. We may not be able to fulfill our obligations under the proposed gold loan and we may be unable to raise sufficient financing to carry out our plans. Readers should review risk factors applicable to junior mining exploration companies generally to 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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