



Amarillo Gold Corp: The Scoop from the Field

A Monday Morning Musing from Mickey the Mercenary Geologist

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After a few delays because of conflicting schedules and the complications and hassles with getting a Brazilian visa, I finally made it to Sao Paulo on October 14, 2010. As you may imagine, giving up my passport to the Brazilian consulate for three weeks requires some advance planning. The visa application and processing procedure was convoluted at best; luckily my visa to Brazil is good for 10 years.

Based on that experience, I was prepared for similar bureaucratic snafus at immigration and customs. But no sweat, I was in and out of the entire process in little more than ten minutes. It was probably the quickest and easiest entry into a foreign country in my 20+ years of international travel.

I was met a couple of hours later by Buddy Doyle, CEO of Amarillo Gold Corp, and two of the company's more eccentric investors. Later that day we flew to Brasilia and met Luis da Silva, AGC's Brazilian general manager, chief geologist, and all-around good guy. The meat-eaters and beer drinkers among us enjoyed a typical Brazilian parillada dinner complete with traditional entertainment in the burgeoning capital city.

Our group flew the next morning via chartered Cessna to Amarillo's flagship Mara Rosa project in the central savannah of Goias State. It is an alkalic greenstone gold project located near the village of the same name. Nearby cities include Brasilia and Goiania within 300-350 km.

The Mara Rosa project encompasses approximately 60,000 hectares of exploration permits and 2600 hectares of mining permits. Local infrastructure is excellent, with access to the country's main north-south highway 11 km away, grid power on site, abundant surface water, a hydroelectric dam at 35 km, and a rail line currently in construction one kilometer from the main deposit called Posse. Posse lies within a 12 km trend of prospective shear-hosted gold mineralization that Amarillo controls and remains largely unexplored.

The long day was spent in company presentations, field review of the project, and data review followed by a late evening company-hosted barbeque until the brews ran out. Mara Rosa, with a 1.1 million ounce qualified resource grading 1.5 g/t Au is presently undergoing a pre-feasibility study.



Tour Group at Mara Rosa Project



Hanging Wall Outcrops at South Posse Pit with Fishermen in Background

The next morning came way too bright and early for yours truly but I was able to view mineralized core at the company's field office and get a better understanding of the subtle ore controls and geometry of the Mara Rosa deposits. With no time to tarry, we took the charter back to Brasilia, ate lunch, and caught a plane to the southeastern Brazil seaport of Porto Alegre. Our tour group expanded to six when we were joined for dinner by geologist Ian Gendall who I first met in Peru in the early 2000s.

This served as another reminder of how small our fraternity of geologists-for-hire really is. I seldom travel anywhere in the emerging markets of the world without running into another vagabond geologist that I've met somewhere else in an earlier time.

The next morning we drove four hours inland thru farm and ranching country in the State of Rio Grande do Sul near the Uruguay border. Mineral collectors will recognize this part of Brazil as the source of the world-famous giant geodes called "amethyst cathedrals". Who doesn't own at least one of these? Here's a photo of my beauty:



Amethyst Cathedral from Rio Grande do Sul, Brazil

But we were not on the hunt for purple and green treasures. We were going to visit Amarillo's Lavras do Sul project where they are on the hunt for economic gold deposits. The project encompasses an alkalic intrusion gold district with over 20,000 hectares of exploration permits and private mineral holdings in 20 areas of old mine workings. Local infrastructure is excellent with a sealed road and farm tracks crossing the project.

We arrived in town just in time for a traditional family-style Sunday dinner at the local historic restaurant. This is *gaucho* country and, as one who knows a little about cuttin' and brandin', the cowboy feel of the place and southern Brazilian versions of "comfort food" were indeed comforting after a hurry-up morning.

Well-fed and substantially caffeinated, we then proceeded to the company office for presentations by the local geologists and a subsequent field exam of the main drill targets in the Lavras do Sul district.

The first stop was Butia, the main deposit where a 43-101 indicated and inferred resource estimate of 19.3 million tonnes grading 0.88 g/t Au for 523,000 ounces at a 0.3 g/t Au cutoff was tabled last summer. This is an old pit from historic mining in the 1880s and 1930s:



Butia Pit with Altered Syenite Outcrops

Following our walk-about, we went to the core shed and examined several holes from Butia and also the Cerrito deposit on the east end of the district. Here's a gold-bearing core sample from Butia:



Potassic-Altered Granite Breccia with Pyrite-Biotite-Quartz Stockworks

As the day was winding down and sunset approached, we made our way to Cerrito where old hydraulic placer tails and altered outcrops attest to its importance as a primary target for Amarillo Gold:



Luis da Silva with Cerrito Placer Tails in Background

Our long day ended again in the typical Brazilian way: Beefsteak and pilsner beer apparently is a mainstay from one end of the country to the other and another.

Another morning came early and my case of red-eye was greeted by bloodshot eyes in more than one of my compatriots. As I say about our business and our nature as exploration geologists, “There are no rough nights but mornings can become a whole other matter.”

Nevertheless, we are troopers and we soldier on. We bopped by the office for maps and then to altered outcrops in road cuts and old trenches and the soil anomalies that make AGC’s new discovery at Matilde a priority target.

Apropos for ranching country, we took a group photo with the local slaughter house as a backdrop:



Amarillo's idea at Lavras do Sul is a district-wide play to develop several mineable deposits that can support a central mill complex. They are well on the way to this goal with resources at Butia, delineation drilling at Cerrito, on-going exploration drilling, and new targets such as Matilde being developed and awaiting the truth tool to arrive.

Although this concluded my tour of Amarillo Gold's projects, my time in Brazil was less than half over. We drove back to Porto Alegre, flew up the east coast to Florianopolis, and were met by Director Rick Brown, Amarillo's former COO and along with yours truly and CEO Buddy Doyle, a founding share holder of the company back in late 2003. It was good to take a day of R and R on the beach with Buddy, Luis, and Rick before my whirlwind tour from one corner of Brazil to the other continued.

I initiated coverage of Amarillo Gold Corp less than 12 months ago ([Mercenary Musing, March 1, 2010](#)). In that time, AGC has gone from 65 cents to a 50 cent low and a high of \$1.90. In speculation terms, it rose 292% from initial coverage to its high in early December and has been nearly a three bagger for those that follow my investing philosophy ([Mercenary Musing, May 10, 2010](#)).

Liquidity is still an issue for the company with only 36,000 shares traded this week. Hopefully that can be remedied in the near future via a retail financing with attached warrant.



With a share price of \$1.75, 1.6 million ounces of qualified resources in all categories, and 56.1 million shares outstanding, AGC has a present valuation of about \$60 per ounce of gold in-the-ground. It remains very undervalued with respect to its peers, which currently trade at an average of \$130 per ounce.

When I first wrote about Amarillo, the company had little in the way of investors relations or marketing programs and was largely unknown by junior resource speculators. Since then, company management has considered and implemented many of my numerous suggestions regarding an increased public profile. When combined with regular and significant advancements of their two flagship gold projects in Brazil, Amarillo Gold Corp has been a very successful speculation for all of us.

Despite the fact that it is still undervalued, my work on behalf of Amarillo Gold Corp is largely done. It is now time for the Mercenary Geologist to move on and generate fresh new ideas about other undervalued companies for loyal subscribers.

However, I must emphasize that I am not selling out my stake in Amarillo Gold Corp and it remains part of my core junior resource portfolio. That said, I will continue to take profits as new highs for the stock are reached.

I have little doubt that the company's excellent team led by CEO Buddy Doyle, Director Rick Brown, and Country Manager Luis da Silva will continue their progress to a positive pre-feasibility study at Mara Rosa, definition of additional resources at Lavras do Sul, an exit strategy for both projects, and rewards for their shareholders.

Ciao for now,

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The [Mercenary Geologist Michael S. “Mickey” Fulp](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has over 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 23 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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