



**GROWMAX RESOURCES CORP.**

**Condensed Interim Consolidated Financial Statements**

**September 30, 2017**

GrowMax Resources Corp.

2 Bloor Street West, Suite 1900

Toronto, Ontario, Canada M4W 3E2

# GrowMax Resources Corp.

## Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars – unaudited)

	Note	September 30, 2017	December 31, 2016
<b>Assets</b>			
Current assets			
Cash and cash equivalents		39,199	42,896
Available-for-sale financial assets	5	33	6,348
Other current assets	6	1,949	3,195
<b>Total current assets</b>		<b>41,181</b>	<b>52,439</b>
Non-current assets			
Exploration and evaluation assets	7	46,653	46,075
Property, plant and equipment		180	217
Restricted investments	19	6,240	6,727
Other non-current assets		3,532	3,477
<b>Total assets</b>		<b>97,786</b>	<b>108,935</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		1,424	2,140
Current payable to Peruvian Group	8	1,685	-
Other current liabilities	13	275	665
<b>Total current liabilities</b>		<b>3,384</b>	<b>2,805</b>
Non-current liabilities			
Non-current payable to Peruvian Group	8	3,273	4,739
Deferred payments	9	6,644	5,897
Deferred tax liability	13	1,175	1,640
<b>Total liabilities</b>		<b>14,476</b>	<b>15,081</b>
<b>Equity</b>			
Share capital		220,628	222,691
Treasury shares		-	(65)
Contributed surplus		39,130	37,152
Accumulated other comprehensive income (loss)		(432)	1,443
Deficit		(181,651)	(173,323)
Equity attributable to owners of the Company		77,675	87,898
Non-controlling interest		5,635	5,956
<b>Total equity</b>		<b>83,310</b>	<b>93,854</b>
<b>Total liabilities and equity</b>		<b>97,786</b>	<b>108,935</b>

### Commitments

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Approved by the Board of Directors on November 22, 2017.

Signed

Signed

“Ron Ho”

“Abdel Badwi”

Director

Director

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

# GrowMax Resources Corp.

## Consolidated Statements of Income (Loss)

(Expressed in thousands of Canadian dollars, except share and per share amounts – unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2017	2016	2017	2016
Revenue		-	-	-	-
General and administrative expenses					
Depreciation		(5)	(6)	(18)	(17)
Stock-based compensation	10(b)	(47)	(127)	(218)	(410)
Other general and administrative	11	(930)	(1,142)	(2,940)	(4,071)
		(982)	(1,275)	(3,176)	(4,498)
Other income (expense)	12	(1,769)	(215)	(5,661)	(6,132)
Income (loss) before income tax		(2,751)	(1,490)	(8,837)	(10,630)
Income tax recovery (expense)	13	(53)	(311)	366	(311)
Net income (loss) from continuing operations		(2,804)	(1,801)	(8,471)	(10,941)
Net income (loss) from discontinued operations, net of income tax expense		-	(214)	-	(1,674)
<b>Net income (loss) for the period</b>		<b>(2,804)</b>	<b>(2,015)</b>	<b>(8,471)</b>	<b>(12,615)</b>
<b>Attributable to:</b>					
Owners of the Company		(2,737)	(1,877)	(8,321)	(12,195)
Non-controlling interest		(67)	(138)	(150)	(420)
		(2,804)	(2,015)	(8,471)	(12,615)
Earnings (loss) per share from continuing operations attributable to Owners of the Company					
Basic and diluted		(0.01)	(0.01)	(0.04)	(0.05)
Earnings (loss) per share from discontinued operations					
Basic and diluted		-	-	-	(0.01)
Earnings (loss) per share attributable to Owners of the Company					
Basic and diluted		(0.01)	(0.01)	(0.04)	(0.06)
Weighted average number of common shares outstanding					
Basic and diluted	10(a)	213,925,645	215,925,645	214,206,577	218,656,176

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

# GrowMax Resources Corp.

## Consolidated Statements of Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars – unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2017	2016	2017	2016
<b>Net income (loss) for the period</b>		<b>(2,804)</b>	(2,015)	<b>(8,471)</b>	(12,615)
<b>Other comprehensive income (loss), net of tax</b>					
<i>Items that may be reclassified to profit or loss:</i>					
Change related to available-for-sale financial assets	5	-	459	<b>1,108</b>	1,306
Exchange differences on translating foreign operations		<b>(1,584)</b>	586	<b>(2,983)</b>	(1,784)
Exchange differences on translating discontinued operations		-	(22)	-	(225)
<i>Items that will not be reclassified to profit or loss:</i>					
Exchange differences on translating non-controlling interest		<b>(90)</b>	45	<b>(178)</b>	(182)
<b>Comprehensive income (loss) for the period</b>		<b>(4,478)</b>	(947)	<b>(10,524)</b>	(13,500)
<b>Attributable to:</b>					
Owners of the Company		<b>(4,321)</b>	(854)	<b>(10,196)</b>	(12,898)
Non-controlling interest		<b>(157)</b>	(93)	<b>(328)</b>	(602)
		<b>(4,478)</b>	(947)	<b>(10,524)</b>	(13,500)
<b>Total comprehensive income (loss) for the period attributable to owners of the Company arises from:</b>					
Continuing operations		<b>(4,321)</b>	(618)	<b>(10,196)</b>	(10,999)
Discontinued operations		-	(236)	-	(1,899)
		<b>(4,321)</b>	(854)	<b>(10,196)</b>	(12,898)

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

# GrowMax Resources Corp.

## Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars – unaudited)

	Share capital	Treasury shares	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance – December 31, 2015	241,063	-	18,319	(5,752)	(153,038)	100,592	6,660	107,252
Net income (loss)	-	-	-	-	(12,195)	(12,195)	(420)	(12,615)
Other comprehensive income (loss)	-	-	-	(703)	-	(703)	(182)	(885)
Total comprehensive income (loss)	-	-	-	(703)	(12,195)	(12,898)	(602)	(13,500)
Settlement of dissented shares	(18,372)	-	18,327	-	-	(45)	-	(45)
Share-based payments – options	-	-	441	-	-	441	-	441
Transactions impacting NCI	-	-	-	-	(46)	(46)	46	-
Balance – September 30, 2016	222,691	-	37,087	(6,455)	(165,279)	88,044	6,104	94,148
Balance – December 31, 2016	<b>222,691</b>	<b>(65)</b>	<b>37,152</b>	<b>1,443</b>	<b>(173,323)</b>	<b>87,898</b>	<b>5,956</b>	<b>93,854</b>
Net income (loss)	-	-	-	-	(8,321)	(8,321)	(150)	(8,471)
Other comprehensive income (loss)	-	-	-	(1,875)	-	(1,875)	(178)	(2,053)
Total comprehensive income (loss)	-	-	-	(1,875)	(8,321)	(10,196)	(328)	(10,524)
Share repurchases/cancellations	(2,063)	65	1,760	-	-	(238)	-	(238)
Share-based payments – options	-	-	218	-	-	218	-	218
Transactions impacting NCI	-	-	-	-	(7)	(7)	7	-
Balance – September 30, 2017	<b>220,628</b>	-	<b>39,130</b>	<b>(432)</b>	<b>(181,651)</b>	<b>77,675</b>	<b>5,635</b>	<b>83,310</b>

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

# GrowMax Resources Corp.

## Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars – unaudited)

	Note	Nine months ended September 30	
		2017	2016
<b>Operating activities</b>			
Net income (loss) for the period		(8,471)	(12,615)
Adjustments to net income (loss) for non-operating items and non-cash items			
Depreciation		18	32
Stock-based compensation expense		218	441
Reversal of impairment of non-current assets		-	(250)
Finance costs		-	9
Settlement of dissented shares		-	42
Unrealized and other foreign exchange (gain) loss		(685)	1,261
Loss (gain) on sale of available-for-sale financial assets	12	1,475	685
Unrealized loss (gain) on fair value through profit or loss financial instruments	12	1,219	3,911
Deferred income tax expense (recovery)	13	(366)	311
Other income		(94)	(133)
Cash provided by (used by) operating activities, before changes in non-cash balance sheet operating items		(6,686)	(6,306)
Net change in non-cash balance sheet operating items	17	(362)	(6,597)
<b>Net cash generated from (used by) operating activities</b>	18	<b>(7,048)</b>	<b>(12,903)</b>
<b>Investing activities</b>			
Capital expenditures, net	17	(4,177)	(8,734)
Non-restricted cash proceeds from sale of disposal groups		1,219	-
Costs of sale of disposal groups		-	(437)
Purchases of available-for-sale financial assets		(16)	(1,090)
Proceeds from disposal of available-for-sale financial assets		5,837	6,348
Release of restricted cash and cash equivalent		-	10,604
<b>Net cash generated from (used by) investing activities</b>	18	<b>2,863</b>	<b>6,691</b>
<b>Financing activities</b>			
Settlement of dissented shares		-	(6,732)
Share purchases	10(a)	(257)	-
<b>Net cash generated from (used by) financing activities</b>	18	<b>(257)</b>	<b>(6,732)</b>
<b>Net change in cash and cash equivalents</b>		<b>(4,442)</b>	<b>(12,944)</b>
Effect of foreign exchange rate on cash and cash equivalents		745	133
Cash and cash equivalents – beginning of period		42,896	56,671
<b>Cash and cash equivalents – end of period</b>		<b>39,199</b>	<b>43,860</b>

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

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

(Currency amounts expressed in thousands, except per tonne amounts, per share amounts and prices – unaudited)

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### 1. General information

Americas Petrogas Inc. changed its name to GrowMax Resources Corp. (the “Company” or “GrowMax Resources”) effective August 9, 2016. GrowMax Resources is focused on exploration and development of phosphate and potassium-rich brine resources on its Bayovar Property, which is located in the Sechura Desert in northwestern Peru. GrowMax Resources is a publicly traded company that was formed on August 22, 2008 by an amalgamation of two predecessor entities. The Company is incorporated and domiciled in Canada. The address of its corporate head office is Suite 1900, 2 Bloor Street West, Toronto, Ontario, Canada, M4W 3E2.

During the third quarter of 2017, GrowMax Resources Corp.’s ownership interest in GrowMax Agri Corp., a subsidiary of GrowMax Resources Corp., increased from 92% to 95%. See note 16 for further information.

All dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$), unless otherwise specified.

### 2. Basis for presentation

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue operations in the foreseeable future. The Company has conducted exploration activities on its properties. As with many mining operations, the ability of the Company to carry on business is dependent upon many factors, including but not limited to, the ability to obtain additional funding and to find, economically develop, extract and market reserves.

### 3. Significant accounting policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2016, except as disclosed below.

#### *Income tax*

Income tax expense recognized in interim periods is based on the best estimate of the income tax rate expected for the full financial year. At the date of each interim financial report, the effective annual tax rate is re-estimated and is applied to profits earned, or losses incurred, to date.

### 4. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended December 31, 2016.

### 5. Available-for-sale financial assets

**The Company disposed of substantially all of its remaining available-for-sale financial assets (Argentine bonds) during the first quarter of 2017. As at September 30, 2017, the Company did not directly hold any Argentine bonds with Tecpetrol holding US\$25 face value (Cdn\$33 fair value) of BONAR 2024 bonds on behalf of the Company (8.75% interest rate, May 7, 2024 maturity).**

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

(Currency amounts expressed in thousands, except per tonne amounts, per share amounts and prices – unaudited)

As a result of disposing of bonds during the nine months ended September 30, 2017 and 2016, the Company recognized losses as Other income (expense) on the consolidated statement of income (loss) – see note 12 for further information.

During the three and nine months ended September 30, 2017, the Company recognized \$nil and \$1,108, respectively, of other comprehensive income related to available-for-sale assets. During the three and nine months ended September 30, 2016, the Company recognized \$459 and \$1,306, respectively, of other comprehensive income related to available-for-sale assets.

### 6. Other current assets

During the nine months ended September 30, 2017, the Company collected \$1,126 (US\$860) of the \$2,800 (US\$2,086) receivable at December 31, 2016 from the sale of Energicon S.A. (included in other current assets at December 31, 2016). See note 21 for further information regarding additional funds receivable from the sale of Energicon S.A.

### 7. Exploration and evaluation assets

	Oil and gas	Mining	Total
<b>Cost</b>			
<b>Balance as at December 31, 2015</b>	<b>1,025</b>	<b>30,966</b>	<b>31,991</b>
Additions <sup>(1)</sup>	525	16,140	16,665
Disposals	(1,475)	-	(1,475)
Foreign exchange movement	(75)	(1,031)	(1,106)
<b>Balance as at December 31, 2016</b>	<b>-</b>	<b>46,075</b>	<b>46,075</b>
Additions <sup>(2)</sup>	-	4,061	4,061
Foreign exchange movement	-	(3,483)	(3,483)
<b>Balance as at September 30, 2017</b>	<b>-</b>	<b>46,653</b>	<b>46,653</b>

Notes:

(1) Mining additions during the year ended December 31, 2016 include \$661 of capitalized interest.

(2) Mining additions during the nine months ended September 30, 2017 include \$580 of capitalized interest.

### 8. Payable to Peruvian Group

As at September 30, 2017, \$1,685 of the Payable to Peruvian Group is classified as current, as US\$1,500 is expected to be paid within twelve months of September 30, 2018 (May 2018). As at September 30, 2017, \$3,273 of the Payable to Peruvian Group is classified as non-current, as US\$4,000 is expected to be paid more than twelve months after September 30, 2017.

### 9. Deferred payments

The transfer agreement for the acquisition of the Bayovar Property requires the following future production-related payments (based on future production levels) to a Peruvian state-owned company, which are considered deferred payments for accounting purposes: production bonus of US\$33.00 to be paid for each metric tonne of potassium chloride mineral sold from the Bayovar Property. With respect to each tonne of any other non-metallic minerals produced from the Bayovar Property, the price to be paid will be determined as follows: US\$33.00 multiplied by the relative market price of the other non-metallic mineral to the market price of potassium chloride.

During the second quarter of 2017, a two-year extension and modification to the Company's commitments pursuant to the transfer agreement was approved – see note 19 for further information.

Other than the discount rate, the significant unobservable inputs used in determining the fair value of the liability at September 30, 2017 were substantially the same as at December 31, 2016. The discount rate used to calculate the fair value of the liability at September 30, 2017 was 15% (December 31, 2016 – 16%).

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

(Currency amounts expressed in thousands, except per tonne amounts, per share amounts and prices – unaudited)

### 10. Equity

#### (a) Common shares

The following table summarizes the common share activity of the Company during the nine months ended September 30, 2017 and the year ended December 31, 2016:

	September 30, 2017	December 31, 2016
	Number of shares	Number of shares
Balance outstanding, beginning of year	215,506,645	233,739,106
Shares issued pursuant to dissent	-	4,955,206
Shares cancelled pursuant to dissent	-	(22,768,667)
Shares purchased pursuant to NCIB (see below)	(1,581,000)	(419,000)
Balance outstanding, end of period	213,925,645	215,506,645

#### *Purchase of shares pursuant to NCIB*

In October 2016, the Company made the necessary filings and received the necessary approvals to make a Normal Course Issuer Bid (“NCIB”) to buy-back some of its common shares, at its discretion, commencing on October 24, 2016 and terminating on October 23, 2017. The NCIB allows the Company to purchase up to 10,796,282 of its common shares. During 2016, the Company purchased 419,000 of its common shares, all of which were cancelled in January 2017. During the nine months ended September 30, 2017, the Company purchased 1,581,000 common shares, all of which were cancelled by September 30, 2017. Since December 2016 and up to the current date, the Company purchased and cancelled 2,000,000 common shares pursuant to the NCIB.

#### (b) Options to purchase common shares

##### (i) Movement in share options

The changes in share options during the nine months ended September 30, 2017 and the year ended December 31, 2016 were as follows:

	September 30, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of year	8,935,000	\$1.09	12,457,343	\$1.73
Options granted	3,100,000	\$0.20	1,600,000	\$0.20
Options expired/cancelled	(1,748,334)	\$2.48	(3,632,343)	\$2.38
Options forfeited	(561,665)	\$0.39	(1,490,000)	\$2.24
Balance outstanding, end of period	9,725,001	\$0.60	8,935,000	\$1.09

##### (ii) Fair value of share options granted

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

(Currency amounts expressed in thousands, except per tonne amounts, per share amounts and prices – unaudited)

	2017			
	August 31	June 29	April 1	January 9
Exercise price	\$0.20	\$0.20	\$0.20	\$0.20
Share price	\$0.11	\$0.11	\$0.12	\$0.16
Risk-free interest rate	1.41%	1.29%	1.01%	1.01%
Expected term	4 years	4 years	4 years	4 years
Volatility	78%	79%	80%	80%
Expected dividend	None	None	None	None
Grant date fair value	\$0.05	\$0.05	\$0.06	\$0.08

In estimating the expected volatility, the Company considers the historical volatility of the Company's share price over the most recent period that is commensurate with the expected option term.

### (iii) Share options outstanding at the end of the period

The following table summarizes information concerning outstanding and exercisable options of the Company at September 30, 2017:

Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (years)
2,225,000	2,225,000	\$1.88	0.51
3,053,334	2,080,004	\$0.25	3.00
4,446,667	1,526,668	\$0.20	4.45
<b>9,725,001</b>	<b>5,831,672</b>		<b>3.10</b>

The weighted average exercise price of options exercisable at September 30, 2017 is \$0.86.

### (c) Warrants

The following table summarizes information concerning outstanding and exercisable warrants of the Company at September 30, 2017:

Warrants outstanding	Warrants exercisable	Exercise price	Weighted average remaining contractual life (years)
2,000,000	2,000,000	\$0.25 <sup>(1)</sup>	1.15

Note:

(1) Only exercisable if the trading price of the common shares is \$0.75 or higher for not less than ten (10) consecutive trading days on the TSX Venture Exchange.

In June 2017, 9,583,333 warrants with an exercise price of \$1.125 expired.

## 11. Other general and administrative expenses

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Employee salaries and benefits	626	536	1,818	2,464
Professional and consulting fees	146	398	509	999
Other expenses	158	208	613	608
	<b>930</b>	<b>1,142</b>	<b>2,940</b>	<b>4,071</b>

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

(Currency amounts expressed in thousands, except per tonne amounts, per share amounts and prices – unaudited)

### 12. Other income (expense)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Foreign exchange gain (loss)	(1,674)	817	(3,335)	(152)
Gain (loss) on sale of available-for-sale financial assets	-	(583)	(1,475)	(685)
Gain (loss) on fair value through profit or loss financial instruments <sup>(1)</sup>	(252)	(624)	(1,219)	(5,877)
Interest income	157	177	274	655
Finance costs	-	(2)	-	(31)
Settlement of dissented shares	-	-	-	(42)
Other	-	-	94	-
	(1,769)	(215)	(5,661)	(6,132)

Note:

(1) For the three months ended September 30, 2017 and 2016, includes \$nil and \$20 of losses, respectively, related to foreign exchange forward contracts. For the nine months ended September 30, 2017 and 2016, includes \$nil and \$4,374 of losses, respectively, related to foreign exchange forward contracts.

### 13. Income tax

In estimating income tax recovery (expense) for the nine months ended September 30, 2017, the Company anticipates having a loss for tax purposes for the year ended December 31, 2017. During the nine months ended September 30, 2017, the Company recognized \$366 of deferred income tax recovery related to reversal of taxable temporary differences in Americas Potash Peru S.A. ("APPSA"). As at September 30, 2017 and December 31, 2016, the Company had a deferred tax liability of \$1,175 and \$1,640, respectively, related to taxable temporary differences at APPSA.

During the nine months ended September 30, 2017, the Company paid \$431 of income tax included in other current liabilities at December 31, 2016.

### 14. Financial instruments and risks

#### (a) Fair value of financial instruments

The fair value of cash and cash equivalents, receivable included in other current assets, the current portion of the Payable to the Peruvian Group, restricted investments, accounts payable and accrued liabilities approximate their carrying values.

The fair value of the non-current portion of the Payable to the Peruvian Group (which is carried on the consolidated statement of financial position at amortized cost) has increased to approximately \$3,600 as a result of a decrease in interest rates. This fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value of this instrument was determined using a discounted cash flow method based on the future expected payments to the Peruvian Group. In estimating the discount rate, the Company relied on U.S. government bond rates, Peruvian government bond rates, and the yield to maturity of high risk debt.

The fair value of the deferred payments is its carrying value. The fair value was determined using a discounted cash flow method.

The fair value of the available-for-sale financial assets is its carrying value. The fair value was determined based on quoted market prices at the statement of financial position date.

#### (b) Currency risk

As at September 30, 2017 and December 31, 2016, GrowMax Resources Corp. (which has a Canadian dollar functional currency) held US\$30,852 and US\$31,468, respectively, of U.S. dollar cash and cash equivalents.

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

(Currency amounts expressed in thousands, except per tonne amounts, per share amounts and prices – unaudited)

### 15. Earnings (loss) per share

The following table summarizes earnings (loss) used to calculate basic and diluted earnings (loss) per share attributable to owners of the Company:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
From continuing operations	<b>(2,737)</b>	(1,663)	<b>(8,321)</b>	(10,521)
From discontinued operations	-	(214)	-	(1,674)
	<b>(2,737)</b>	(1,877)	<b>(8,321)</b>	(12,195)

The 9,725,001 share options and 2,000,000 warrants outstanding at September 30, 2017 are antidilutive for the three and nine months ended September 30, 2017. The instruments could potentially dilute basic earnings per share in the future.

### 16. Related party transactions

The Company incurred the following fees and expenses in connection with related parties (excluding compensation of key management personnel):

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Legal fees <sup>(1)</sup>	<b>88</b>	149	<b>215</b>	347
Consulting fees <sup>(2)</sup>	-	-	-	895
Stock-based compensation expense <sup>(3)</sup>	<b>1</b>	3	<b>7</b>	12
	<b>89</b>	152	<b>222</b>	1,254

Notes:

- (1) The legal fees (which were expensed as other general and administrative expenses within continuing operations) were incurred from the corporate secretary of GrowMax Resources Corp.
- (2) The consulting fees were incurred from a private Peruvian company controlled by a close family member of Carlos Lau (a director of the Company). This consulting agreement was terminated in 2016. Included in consulting fees for the three and nine months ended September 30, 2016 is \$nil and \$775, respectively, of costs related to the termination of the consulting arrangement with the related party.
- (3) The stock-based compensation expense resulted from the vesting of stock options held by the corporate secretary of GrowMax Resources Corp.

### GrowMax Agri Corp.

During the third quarter of 2017, GrowMax Agri Corp., issued 62,815,294 of its common shares to GrowMax Resources Corp. to settle \$13,255 (US\$10,560) of intercompany debt owed by GrowMax Agri Corp. to GrowMax Resources Corp. This resulted in GrowMax Resources Corp.'s ownership interest in GrowMax Agri Corp. increasing from 92% to 95%. It also resulted in an increase in the non-controlling interest balance by \$7 with a corresponding increase in deficit.

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

(Currency amounts expressed in thousands, except per tonne amounts, per share amounts and prices – unaudited)

### 17. Supplemental cash flow information

Capital expenditures are comprised of:

	Nine months ended September 30	
	2017	2016
Additions to exploration and evaluation assets	4,061	15,442
Additions to (disposal of) property, plant and equipment	16	(466)
Non-cash items <sup>(1)</sup>	-	(1,711)
Payable to Peruvian Group	(580)	(4,180)
Changes in accounts payable and accrued liabilities	680	(351)
Capital expenditures	4,177	8,734

Note:

- (1) On January 25, 2016, APPSA acquired the remaining 30% beneficial interest in the Bayovar Property from the Peruvian Group (a related party – see notes 12 and 21 of the December 31, 2016 annual consolidated financial statements for further information). Under the terms of the acquisition agreement, the Company settled a \$1,711 (US\$1,246) receivable from the Peruvian Group related to past costs which the Company funded on behalf of the Peruvian Group.

Net change in non-cash balance sheet operating items is summarized as follows:

	Nine months ended September 30	
	2017	2016
Other current assets	120	508
Other non-current assets	(55)	(620)
Accounts payable and accrued liabilities	(37)	(133)
Other current liabilities	(390)	(6,352)
Net change in non-cash balance sheet operating items	(362)	(6,597)

### 18. Discontinued operations

The Company disposed of its remaining oil and gas assets during the year ended December 31, 2016. Accordingly, the Company's oil and gas operations have been classified as discontinued operations.

The following table summarizes cash flows related to continuing operations and discontinued operations:

	Nine months ended September 30	
	2017	2016
Net cash generated from (used by) operating activities		
Related to continuing operations	(7,048)	(4,440)
Related to discontinued operations	-	(8,463)
	(7,048)	(12,903)
Net cash generated from (used by) investing activities		
Related to continuing operations	2,863	546
Related to discontinued operations	-	6,145
	2,863	6,691
Net cash generated from (used by) financing activities		
Related to continuing operations	(257)	(6,732)
Related to discontinued operations	-	-
	(257)	(6,732)

### 19. Restricted investments and commitments

#### Fertilizer project - Peru

In May 2014, APPSA officially exercised the option to acquire the Bayovar Property, and the transfer agreement for the Bayovar Property was executed. In the first quarter of 2016, APPSA acquired an additional 30% working interest in the

# GrowMax Resources Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

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Bayovar Property (from a related party – see notes 12 and 21 of the December 31, 2016 annual consolidated financial statements for further information), which increased APPSA's working interest in the Bayovar Property from 70% to 100%.

The Company's restricted investments balance at September 30, 2017 (Cdn\$6,240) and December 31, 2016 (Cdn\$6,727) relates to a US\$5,000 performance bond posted for its commitments in Peru. The performance bond may be foreclosed and the transfer agreement may be terminated, should the capital cost investment and/or the minimum production commitments not be met.

During the second quarter of 2017, a two-year extension and modification to the Company's commitments pursuant to the transfer agreement was approved, which resulted in the following commitments related to the project:

- Complete a revised economic study by March 2018;
- Commence production by May 2019;
- Payments of US\$480 to a Peruvian state-owned company (\$240 of which was paid during the second quarter of 2017), half of which has been or will be distributed by the Peruvian state-owned company to the local community;
- Produce a minimum of 70% of the annual sales volume set forth in the applicable economic study; and
- Invest a minimum of US\$19,800 in the project from May 2016 to May 2019, of which the Company had fulfilled approximately US\$3,600 up to May 2017.

The transfer agreement requires future production-related payments to be paid to a Peruvian state-owned company based on future production levels. The future payments to the Peruvian state-owned company are, for accounting purposes, considered deferred payments. See note 9 for further information.

The Company entered into a separate agreement with the local community for surface easement and access rights which requires future production-related payments to the local community based on future production levels. The surface easement and access rights agreement requires the following future production-related payments (based on future production levels) to the community: production bonus of US\$33.00 to be paid for each metric tonne of potassium chloride mineral sold from the Bayovar Property. With respect to each tonne of any other non-metallic minerals produced from the Bayovar Property, the price to be paid will be determined as follows: US\$33.00 multiplied by the relative market price of the other non-metallic mineral to the market price of potassium chloride. Unlike the future payments to the Peruvian state-owned company, future payments to the community have not been recognized in the consolidated financial statements. Such future payments to the community will be recognized in the consolidated statement of income (loss) as incurred as they are related to surface easement and access rights.

The future production-related payments payable to the local community, which will ultimately depend on future production volumes and product prices, are currently estimated as follows:

Not later than one year	\$nil
Later than one year and not later than five	\$2,625 (US\$2,103)
Beyond five years up to 28 years	\$31,422(US\$25,178)
<u>Total</u>	<u>\$34,047 (US\$27,281)</u>

### Office leases - Peru

The Company has entered into lease contracts for office space and warehouse space in Lima and Piura, Peru. The future minimum lease payments payable under these operating leases are as follows:

Not later than one year	\$182 (US\$146)
Later than one year and not later than five	\$465 (US\$373)
<u>Total</u>	<u>\$647 (US\$519)</u>

## 20. Segment disclosures

As a result of the sale of the Company's remaining oil and gas assets in 2016, the Company now only has one operating segment.

# GrowMax Resources Corp.

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### 21. Subsequent event

On November 10, 2016, the Company accepted an offer from Energy Operations Argentina LLC (“EOA”), a private American company, for the sale of all of the issued and outstanding common shares of Energicon S.A. – see note 24 of the December 31, 2016 annual consolidated financial statements for further information.

Under the terms of the offer and share purchase and sale agreement, the total cash consideration payable by EOA was US\$5,100 of which US\$3,000 was contingent upon the issuance to Energicon of a hydrocarbon exploitation concession for Vaca Mahuida prior to a prescribed date.

Pursuant to Decree 1481 dated October 9, 2017 and published in the Official Gazette on October 23, 2017, the Governor of the Province of Rio Negro has approved the granting of the Vaca Mahuida Exploitation Concession to Energicon S.A. and its joint venture partner. Accordingly, the contingent US\$3,000 is now payable by EOA to the Company in three equal tranches with the final payments due in November 2018. The US\$3,000 is in addition to US\$1,350 receivable from EOA included in other current assets at September 30, 2017.