

**GROWMAX RESOURCES CORP.**  
**(formerly Americas Petrogas Inc.)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2016**

This MD&A for GrowMax Resources Corp. (formerly Americas Petrogas Inc., TSX-V:GRO) should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2016. Except as otherwise indicated or where the context so requires, references to "GrowMax Resources" or the "Company" in the description of the Company's business, assets, properties and operations include the business, assets, properties and operations of GrowMax Resources Corp. and its subsidiaries. The Company prepares its financial statements in accordance with IFRS as issued by the IASB. All dollar figures stated herein are expressed in Canadian dollars (\$ or Cdn\$), unless otherwise specified.

This MD&A is based on information available up to April 17, 2017, the date on which it was approved by the Board of Directors.

GrowMax Resources Corp. (formerly Americas Petrogas Inc.) is a publicly listed Canadian company (headquartered in Calgary, Alberta) 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. The Company's vision is to become a leading producer of phosphate and potash fertilizer products in Peru. GrowMax Resources was formed on August 22, 2008 by an amalgamation of two predecessor entities. The amalgamated entity was originally named Americas Petrogas Inc. but, effective August 9, 2016, the Company changed its name to GrowMax Resources Corp. The Company previously traded under the symbol BOE on the TSX-V and currently trades under the symbol GRO on the TSX-V.

See section "1.15 Other MD&A Information not disclosed elsewhere and Advisories" for a listing of defined terms used in this document. See section "1.15 Other MD&A Information not disclosed elsewhere and Advisories" for information on an Additional GAAP Measure (net revenue) and a Non-GAAP Financial Measure (working capital). See section "1.2 Overall Performance – Working capital" for further information on the calculation of working capital.

This MD&A contains forward-looking information. See section "1.15 Other MD&A Information not disclosed elsewhere and Advisories" for a discussion of the risks, uncertainties and assumptions relating to forward looking information.

## **Highlights and Recent Activities**

### **CASH AND WORKING CAPITAL**

- The following table summarizes the Company's Cash and cash equivalents and Working capital as at December 31, 2016 and 2015:

(\$ in thousands)	<b>December 31, 2016</b>		December 31, 2015	
Cash and cash equivalents	\$	<b>42,896</b>	\$	56,671
Working capital <sup>(1)</sup>	\$	<b>49,634</b>	\$	62,594

Note:

- (1) Working capital is calculated as current assets (December 31, 2016 - \$52.4 million; December 31, 2015 - \$83.2 million) less current liabilities (December 31, 2016 - \$2.8 million; December 31, 2015 - \$20.6 million).

See sections "1.2 Overall Performance – Cash and cash equivalents" and "1.2 Overall Performance – Working capital" for information regarding the change in cash and cash equivalents and the change in working capital during the year ended December 31, 2016.

### **PERU**

- Early in 2016, the Company's Peruvian subsidiary, APPSA, acquired the remaining 30% interest in the Bayovar Property. Consequently, APPSA now holds a 100% beneficial interest in the Bayovar Property.
- The Company received the results of a Sulfate of Potash Study. The study included capital and operating cost estimates for a pilot facility, including evaporation ponds and a processing plant, for the production of 5,000 tonnes per year of soluble Sulfate of Potash ("SOP"). For further information, refer to the February 6, 2017 press release entitled "GrowMax Announces Results of Sulfate of Potash Study".

- An “Updated NI 43-101 Mineral Resource Technical Report on the GrowMax Bayóvar Phosphate Project, Piura Region, Peru” was filed on April 28, 2016 and a further update was filed on SEDAR on August 11, 2016. This latter Mineral Resource estimate update was based on substantially all drill holes drilled by the Company up to June 30, 2016.
- On September 12, 2016, the Company announced its strategic plans, with additional information related to its strategic plans announced on February 16, 2017. The plan includes advancing the Bayovar phosphate project in Peru and developing plans for early cash flow.
- The Company received the results of an independent Preliminary Economic Assessment (“PEA”) for its Bayovar 7 phosphate project on the Bayovar Property located in the Sechura Desert, Peru. The results were announced on September 12, 2016 and the PEA report was filed on SEDAR on October 27, 2016. For further information, including applicable disclosures, refer to the September 12, 2016 press release entitled “GrowMax Announces Results of a Preliminary Economic Assessment for Phosphates on Bayovar 7 Concession, Peru”.
- The Company is continuing to perform tests of collected samples from the Carnallite/Kainite pilot evaporation ponds.

For further information, see section “1.4 Discussion of Operations” below.

## **ARGENTINA**

- On November 10, 2016, the Company accepted an offer from Energy Operations Argentina LLC (the “EOA”), a private American company, for the sale of all of the issued and outstanding common shares of Energicon, the Company’s wholly-owned Argentine subsidiary (the “Transaction”). The Transaction closed on November 24, 2016 (the “Closing”). The terms of the original Share Purchase and Sale Agreement were modified so that the total cash consideration (including contingent consideration) from the Transaction was Cdn\$6.9 million (US\$5.1 million), of which Cdn\$0.1 million (US\$0.1 million) was collected by December 31, 2016 and Cdn\$2.8 million (US\$2.1 million) was included as a receivable in other current assets at December 31, 2016 (Cdn\$0.8 million (US\$0.6 million) of this receivable has been collected so far in 2017). The remaining Cdn\$4.0 million (US\$3.0 million) is payable to the Company by EOA only if a hydrocarbon exploitation concession for Vaca Mahuida is issued within one year of the Closing. The Company no longer has any commitments or performance bonds outstanding relating to oil and gas concessions in Argentina.

## **CORPORATE**

- Effective October 1, 2016, Mr. Jamie Somerville was appointed Executive Vice President of the Company. Effective November 28, 2016, Dr. Easton Wren retired as a director of the Company. Effective January 9, 2017, Mr. Stephen Keith was appointed President of the Company. Effective March 31, 2017, Mr. Douglas Yee resigned as the Chief Financial Officer of the Company. Effective April 1, 2017, Mr. Lloyd Wiggins became Chief Financial Officer of the Company.
- 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 own discretion, commencing on October 24, 2016 and terminating on October 23, 2017 or such earlier date as all shares which are subject to the NCIB are purchased. The NCIB allows the Company to purchase up to 10,796,282 of its Common Shares. Shareholders can obtain a copy of the Notice of Intention to Make a Normal Course Issuer Bid (Form 5G), without charge, by contacting the Company. During 2016, the Company repurchased 419,000 of its Common Shares, all of which were cancelled in January 2017. Subsequent to December 31, 2016, the Company repurchased and cancelled 1,581,000 additional Common Shares. Since December 2016 and up to the current date, the Company has repurchased and cancelled a total of 2,000,000 Common Shares pursuant to the NCIB.

## **2017 CAPITAL SPENDING GUIDANCE**

The Company’s 2017 capital work program and budget is set at approximately US\$10 million, and will focus on:

- a. advancing the Bayovar project by further investigations and studies of domestic and regional sales of phosphate rock and by progressing on the social, environmental and permitting requirements;
- b. beginning construction of the solar evaporation ponds for the brine project; and
- c. completing market studies for domestic and regional sales of different potential fertilizers, including direct application phosphate rock (“DAPR”) and Single Super Phosphate (“SSP”) fertilizer, prior to initiating construction of a fertilizer plant.

In addition, the Company has budgeted to spend approximately US\$3.4 million on cash general and administrative costs for 2017.

## Financial Highlights

Financial highlights for the years ended December 31, 2016 and 2015 are shown below. For additional information, please see section "1.2 Overall Performance".

Note that on August 28, 2015, the Company disposed of its main oil revenue-producing property.

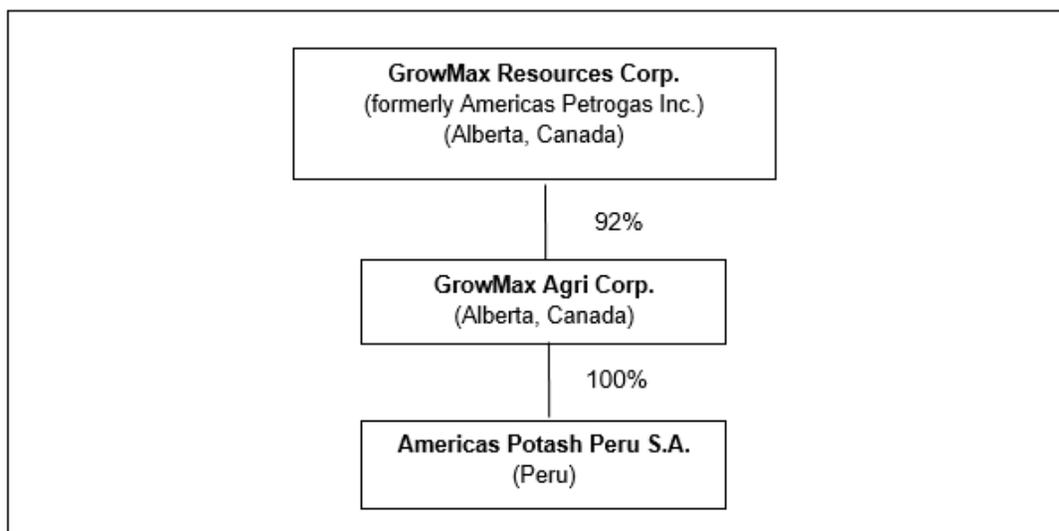
(\$ in thousands)	Year ended December 31	
	2016	2015 Restated <sup>(1)</sup>
Net income (loss) from continuing operations	\$ (12,812)	\$ (2,744)
Net income (loss) from discontinued operations, net of income tax expense	\$ (8,060)	\$ (37,714)
Net income (loss) for the year	\$ (20,872)	\$ (40,458)
Weighted average number of common shares outstanding <sup>(2)</sup>		
Basic and diluted	217,957,244	231,947,325
Net cash generated from (used by) operating activities		
Related to continuing operations	\$ (4,582)	\$ (6,838)
Related to discontinued operations	(8,031)	5,508
	\$ (12,613)	\$ (1,330)
Capital expenditures, net	\$ (10,777)	\$ (10,032)

Notes:

- (1) Restated to reflect discontinued operations. See note 25 of the consolidated financial statements for further information.  
(2) See section '1.2 Overall Performance – Share capital and Contributed surplus' below for further information about the changes in common shares during the year ended December 31, 2016.

## 1.1 Background Information

The following organization chart summarizes the Company's subsidiaries, their jurisdictions of incorporation and the percentage of voting securities held by the Company as of the current date:



During the second quarter of 2016, GrowMax Agri Corp. issued 26,121,589 of its common shares to GrowMax Resources Corp. to settle \$7.3 million 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 89% to 92%. GrowMax Agri Corp. owns 100% of APPSA, a Peruvian company which holds the Bayovar Property.

In November 2016, the Company sold all of the issued and outstanding common share of Energicon S.A. In August 2015, the Company sold all of the issued and outstanding common shares of Americas Petrogas Argentina S.A.

## 1.2 Overall Performance

### Working capital

As at December 31, 2016, the Company had a positive consolidated working capital position of \$49.6 million. The decrease in working capital from December 31, 2015 (\$62.6 million) to December 31, 2016 (\$49.6 million) can be attributed primarily to approximately:

- (i) \$10.8 million of net capital expenditures, which includes Cdn\$3.3 million (US\$2.5 million) of expenditures related to the acquisition of an additional 30% interest in the Bayovar Property;
- (ii) \$3.4 million of losses on the Company's U.S. dollar denominated financial instruments as a result of the weakening of the U.S. dollar relative to the Canadian dollar;
- (iii) \$4.3 million of cash general and administrative expenses related to continuing operations (including some termination costs);
- (iv) \$2.5 million of expenses relating to Argentina;
- (v) \$0.8 million of VAT payments in Peru;  
partially offset by
- (vi) net proceeds of \$2.5 million from the sale of Energicon;
- (vii) the reclassification of approximately \$5.5 million of available-for-sale financial assets from non-current assets to current assets; and
- (viii) \$0.8 million of other items.

Working capital is calculated as current assets (December 31, 2016 - \$52.4 million; December 31, 2015 - \$83.2 million) less current liabilities (December 31, 2016 - \$2.8 million; December 31, 2015 - \$20.6 million).

### Cash and cash equivalents

#### *Operating activities*

During the years ended December 31, 2016 and 2015, the Company used \$4.6 million and \$6.8 million, respectively, of cash for operating activities related to continuing operations (which includes changes in non-cash balance sheet operating items).

During the year ended December 31, 2016, the Company used \$8.0 million of cash for operating activities related to discontinued operations – this outflow is primarily attributable to cash payments made for termination costs relating to former employees in Argentina. During the year ended December 31, 2015, the Company generated \$5.5 million of cash from operating activities related to discontinued operations – this inflow is primarily the result of oil sales generated prior to the sale of Petrogas Argentina in August 2015.

#### *Investing activities*

During the year ended December 31, 2016, the Company used \$1.3 million for investing activities related to continuing operations – this outflow is attributable to continued spending on activities at the Company's Bayovar Property in Peru, partially offset by the net sale of available-for-sale financial assets and the release of restricted cash pertaining to past foreign exchange forward contracts.

During the year ended December 31, 2015, the Company used \$6.8 million for investing activities related to continuing operations – this outflow is attributable to continued spending on activities at the Company's Bayovar Property in Peru, the net purchase of available-for-sale financial assets and the posting of restricted cash pertaining to foreign exchange forward contracts.

During the year ended December 31, 2016, the Company generated \$6.1 million from investing activities related to discontinued operations – this inflow can be attributed primarily to the release of the funds held in escrow from the sale of Petrogas Argentina.

During the year ended December 31, 2015, the Company generated \$56.8 million from investing activities related to discontinued operations – this inflow can be attributed primarily to cash proceeds from the sale of Petrogas Argentina.

#### *Financing activities*

During the year ended December 31, 2016, the Company used \$6.8 million for financing activities related to continuing operations. In February 2016 and December 2015, the Company entered into settlement agreements with certain dissenting shareholders, which resulted in a cash payment of \$6.7 million during the first quarter of 2016. See note 14(a) of the December 31, 2016 annual consolidated financial statements for further information.

During the year ended December 31, 2015, the Company generated \$0.5 million from financing activities related to continuing operations – this is related to units issued by the Company for cash in November 2015. During the year ended December 31, 2015, the Company used \$1.6 million for financing activities related to discontinued operations – this is related to the repayment of a loan previously held by Petrogas Argentina.

#### Restricted cash and cash equivalents

During the year ended December 31, 2016, all of the funds held in escrow from the sale of Petrogas Argentina were released due to (i) the settlement of employee benefits payable for former Petrogas Argentina employees and (ii) the assignment and transfer of all obligations associated with the Totoral block from Petrogas Argentina to Energicon.

The Company did not hold any foreign exchange forward contracts at December 31, 2016. Accordingly, there were no funds held for security on foreign exchange forward contracts at December 31, 2016.

#### Available-for-sale financial assets

During the year ended December 31, 2016 the Company disposed of the majority of its direct holdings of Argentina bonds. As at December 31, 2016, the Company held US\$0.01 million face value of BONAR 2020 bonds and US\$0.4 million face value of BONAR 2024 bonds. Tecpetrol held an additional US\$3.5 million face value of BONAR 2024 bonds on behalf of the Company. The Company disposed of substantially all of its remaining available-for-sale financial assets in 2017 for proceeds of approximately Cdn\$5.9 million (US\$4.4 million).

During the year ended December 31, 2016, the Company reclassified US\$3.5 million face value of BONAR 2024 bonds held by Tecpetrol on behalf of the Company from non-current assets to current assets, since the bonds were collectible by the Company from Tecpetrol in January 2017.

See section “1.2 Overall Performance – Other Income (Expense) – Gain (Loss) on Sale of Available-for-Sale Financial Assets” below for information on gains/losses recorded as a result of disposing of bonds.

#### Foreign exchange forward contracts

During the second half of 2015, the Company began entering into Canadian dollar – U.S. dollar foreign exchange forward contracts in order to protect the Company’s holdings of U.S. dollars while still earning interest income on Canadian dollars, which earns a higher interest rate. The Company did not hold any forward contracts at December 31, 2016 and the Company has not entered into any foreign exchange forward contracts so far in 2017. Under the terms of the forward contracts outstanding as at December 31, 2015, US\$45.1 million was to be purchased for Cdn\$60.0 million in January 2016.

The foreign exchange forward contracts are classified as fair value through profit or loss financial instruments. A foreign exchange forward contract will result in a liability when the contract rate is higher than the forward foreign exchange market rate at the end of the period. Conversely, a foreign exchange forward contract will result in an asset when the contract rate is lower than the forward foreign exchange market rate at the end of the period.

See section “1.2 Overall Performance – Other Income (Expense) – Gain (loss) on fair value through profit or loss financial instruments” below for information on gains/losses recorded on foreign exchange forward contracts.

#### Other current assets

Included in other current assets at December 31, 2016 is a Cdn\$2.8 million (US\$2.1 million) receivable from EOA for the sale of Energicon – see note 24 of the December 31, 2016 annual consolidated financial statements for further information.

On January 25, 2016, the Company's Peruvian subsidiary, APPSA, acquired the remaining 30% beneficial interest in the Bayovar Property from the Peruvian Group, a related party (see section "1.9 Transactions with Related Parties" for further information). APPSA now holds 100% beneficial interest in the Bayovar Property. As part of the purchase, the Company settled a Cdn\$1.7 million (US\$1.2 million) receivable from the Peruvian Group. This receivable was included in other current assets at December 31, 2015.

#### Exploration and evaluation assets

During the year ended December 31, 2016, the Company's exploration and evaluation assets increased primarily as a result of APPSA acquiring the remaining 30% beneficial interest in the Bayovar Property from the Peruvian Group. The purchase price of Cdn\$9.3 million (US\$6.8 million) was capitalized to mining exploration and evaluation assets. See note 8 of the December 31, 2016 annual consolidated financial statements for further information. Partially offsetting this addition was the strengthening of the Canadian dollar (presentation currency) relative to the U.S. dollar (functional currency of APPSA). During the year ended December 31, 2016, the Company disposed of its remaining oil and gas exploration and evaluation assets with the sale of Energicon – see note 24 of the December 31, 2016 annual consolidated financial statements for further information.

A breakdown of additions to mining exploration and evaluation assets in Peru during the years ended December 31, 2016 and 2015 follows:

(\$ in thousands)	Year ended December 31	
	2016	2015
Acquisition costs <sup>(1)</sup>	\$ 9,322	\$ -
Engineering, drilling and testing	3,519	1,191
Employee benefits	1,035	422
Interest capitalized	661	-
Concession revalidation fees	366	317
Consultants (legal, accounting, etc.)	314	210
Building rent	104	61
Other	819	241
<b>Total capitalized mining costs</b>	<b>\$ 16,140</b>	<b>\$ 2,442</b>

Note:

- (1) See note 12 of the December 31, 2016 annual consolidated financial statements for further information regarding the timing of the payments of the acquisition costs.

#### Restricted investments

The Company's restricted investments balance at December 31, 2016 and 2015 relates to a US\$5.0 million performance bond posted for commitments in Peru. The performance bond was required to be posted upon execution of the Transfer Agreement for the Bayovar Property in May 2014.

The initial amount of the performance bond is US\$5.0 million and it is required to be renewed annually during the term of performance of the investment commitment. Once the investment commitment has been performed, the Company will substitute the aforementioned performance bond for another performance bond that secures the production-related payments and the other contractual obligations arising subsequent to the investment commitment.

The performance bond may be foreclosed and the Transfer Agreement may be terminated should the capital cost investment and/or the minimum production requirements not be met.

#### Other non-current assets

The Company's balance of other non-current assets at December 31, 2016 includes \$3.5 million of value-added tax ("VAT") payments made in Peru. The Company's balance of other non-current assets at December 31, 2015 includes \$2.9 million of VAT payments made in Peru and Argentina. The Company no longer has any VAT assets in Argentina as a result of the sale of Energicon in 2016 and Petrogas Argentina in 2015.

### Other current liabilities

The significant decrease in Other current liabilities from December 31, 2015 to December 31, 2016 is due to the settlement of:

- The employee benefits payable for former employees in Argentina;
- The payable to Tecpetrol for the working capital adjustment associated with the sale of Petrogas Argentina in August 2015; and
- The liability with dissenting shareholders. See "Share capital and Contributed surplus" below for further information.

### Payable to Peruvian Group

On January 25, 2016, APPSA acquired the remaining 30% beneficial interest in the Bayovar Property from the Peruvian Group, a related party (see section "1.9 Transactions with Related Parties" for further information). Under the terms of the acquisition agreement, payments to be made to the Peruvian Group totalled US\$8.0 million payable over a period of time. Of this amount, US\$5.5 million (principal) was outstanding at December 31, 2016, all of which has been classified as a non-current liability. This liability is being measured at amortized cost. See note 12 of the December 31, 2016 annual consolidated financial statements for further information.

The acquisition from the Peruvian Group was accounted for as an asset acquisition and was measured at cost in accordance with IFRS 6 – Exploration for and Evaluation of Mineral Resources. The cost of the acquisition approximated its fair value at the date of the acquisition and was determined based on the fair value of the payments specified in the agreement and the fair value of the receivable that was settled. Payments due to be made beyond one year were discounted using a discount rate of 17.19%.

### Acquisition costs payable

In May 2014, APPSA officially exercised the option to acquire the Bayovar Property, and the Transfer Agreement for the Bayovar Property was executed. The Transfer Agreement requires future production-related payments (based on future production levels) to the Peruvian state-owned company, which are considered acquisition costs for accounting purposes. See note 13 of the December 31, 2016 annual consolidated financial statements for further information.

See section "1.2 Overall Performance – Other Income (Expense) – Gain (loss) on fair value through profit or loss financial instruments" below for information on gains/losses recorded on the Acquisition costs payable.

### Deferred tax liability

As at December 31, 2016, the Company has \$1.6 million of deferred tax liability related to taxable temporary differences at APPSA that resulted from foreign exchange differences. APPSA's assets and liabilities are measured for accounting purposes in U.S. dollars (APPSA's functional currency), but its taxable profit or loss (and, hence, the tax base of its assets and liabilities) is determined in Peruvian Soles.

### Share capital and Contributed surplus

In February 2016 and December 2015, the Company entered into settlement agreements with certain dissenting shareholders (the "Dissenting Shareholders") holding 22,768,667 common shares (the "Dissented Shares") in the capital of the Company. The consideration paid for the Dissented Shares was in settlement of statutory rights of dissent exercised by the Dissenting Shareholders as a result of the sale of Petrogas Argentina to Tecpetrol. Under the terms of the settlement agreements, the Dissenting Shareholders were paid an aggregate of \$6.7 million in cash and were issued an aggregate of 4,955,206 common shares of GrowMax Resources Corp. As a result of settling the Dissented Shares in 2016, the Company reclassified \$18.4 million from Share capital to Contributed surplus. See note 14(a) of the December 31, 2016 annual consolidated financial statements for further information.

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 own discretion, commencing on October 24, 2016 and terminating on October 23, 2017 or such earlier date as all shares which are subject to the NCIB are purchased. The NCIB allows the Company to purchase up to 10,796,282 of its Common Shares. During 2016, the Company repurchased 419,000 of its Common Shares, all of which were cancelled in January 2017. Subsequent to December 31, 2016, the Company repurchased and cancelled 1,581,000 additional Common Shares. Since December 2016 and up to the current date, the Company has repurchased and cancelled a total of 2,000,000 Common Shares pursuant to the NCIB.

### Accumulated other comprehensive income (loss)

The change in accumulated other comprehensive income (loss) from December 31, 2015 to December 31, 2016 is primarily attributable to discontinued operations. During the years ended December 31, 2016 and 2015, \$6.6 million and \$18.0 million, respectively, of previously recognized other comprehensive loss was reclassified to Net income (loss) from discontinued operations, net of income tax on the consolidated statement of income (loss) as a result of the sale of Energicon in 2016 and Petrogas Argentina in 2015.

### Non-controlling interest

During the second quarter of 2016, GrowMax Agri Corp., a subsidiary of GrowMax Resources Corp., issued 26,121,589 of its common shares to GrowMax Resources Corp. to settle \$7.3 million 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 89% to 92%. It also resulted in an increase in the non-controlling interest balance by \$0.05 million with a corresponding increase in deficit.

### General and Administrative Expenses

One part of general and administrative expenses is stock-based compensation expense, which arises from the vesting of stock options. New stock options were issued in November 2016, December 2015 and November 2015 – for further information regarding stock options, see note 14(b) of the Company's December 31, 2016 annual consolidated financial statements. During the third quarter of 2016, as part of the settlement compensation for terminated employees of Energicon in Argentina, the Company accelerated the vesting dates of 340,915 options to vest on July 31, 2016. During 2016 and 2015, the Company reversed some previously recognized stock-based compensation expense due to the forfeiting of options by former employees of the Company.

A breakdown of other general and administrative expenses follows:

(\$ in thousands)	Year ended December 31	
	2016	2015 <sup>(1)</sup>
Employee benefits expense (including termination costs)	\$ 2,730	\$ 3,668
Professional and consulting fees	963	805
Other	583	620
	<b>\$ 4,276</b>	<b>\$ 5,093</b>

Note:

(1) Restated to reflect discontinued operations. See note 25 of the December 31, 2016 annual consolidated financial statements for further information.

Employee benefits expense for the year ended December 31, 2016 includes \$0.8 million of costs related to the termination of a consulting arrangement with a related party – see section "1.9 Transactions with Related Parties" for further information.

### Other Income (Expense)

(\$ in thousands)	Year ended December 31	
	2016	2015 <sup>(1)</sup>
Finance costs	\$ (17)	\$ (22)
Interest income	809	457
Settlement of dissented shares	(42)	(3,131)
Foreign exchange gain (loss)	75	1,481
Gain (loss) on sale of available-for-sale financial assets	(747)	1,571
Gain (loss) on fair value through profit or loss financial instruments <sup>(2)</sup>	(6,088)	2,426
	<b>\$ (6,010)</b>	<b>\$ 2,782</b>

Notes:

(1) Restated to reflect discontinued operations. See note 25 of the December 31, 2016 annual consolidated financial statements for further information.

(2) For the years ended December 31, 2016 and 2015, includes \$3.5 million of losses and \$2.2 million of gains, respectively, related to foreign exchange forward contracts.

### Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) reflects the impact of changes in exchange rates on foreign denominated financial instruments. For the years ended December 31, 2016 and 2015, the Company recorded net \$0.01 million and \$1.5 million, respectively, of foreign exchange gains related to continuing operations on the consolidated statement of income (loss) in Other income (expense). The foreign exchange gains arose primarily due to U.S. dollar financial assets held by the Company's head office and the fluctuation of the U.S. dollar relative to the Canadian dollar.

The volatility of foreign exchange markets has created a significant amount of foreign exchange risk for the Company, given the various transactions in Peruvian Soles, Canadian dollars and U.S. dollars. This affects both the foreign exchange gain/loss reported in Other income (loss) on the consolidated statement of income (loss) as well as the other comprehensive income/loss reported on the consolidated statement of comprehensive income (loss). The Company entered into Canadian dollar – U.S. dollar foreign exchange forward contracts from time to time during 2015 and 2016 – see note 19(d)(i) of the Company's December 31, 2016 annual consolidated financial statements. However, the Company did not hold any foreign exchange forward contracts as of December 31, 2016 and the Company has not entered into any foreign exchange forward exchange forward contracts so far in 2017.

The following table summarizes the spot exchange rates obtained from the Bank of Canada:

Date	Exchange rate		
March 31, 2017	US\$1.00=Cdn\$1.3299	AR\$1.00=Cdn\$0.0866	Soles\$1.00=Cdn\$0.4099
December 31, 2016	US\$1.00=Cdn\$1.3427	AR\$1.00=Cdn\$0.0854	Soles\$1.00=Cdn\$0.4001
September 30, 2016	US\$1.00=Cdn\$1.3117	AR\$1.00=Cdn\$0.0852	Soles\$1.00=Cdn\$0.3874
June 30, 2016	US\$1.00=Cdn\$1.2917	AR\$1.00=Cdn\$0.0871	Soles\$1.00=Cdn\$0.3955
March 31, 2016	US\$1.00=Cdn\$1.2987	AR\$1.00=Cdn\$0.0889	Soles\$1.00=Cdn\$0.3908
December 31, 2015	US\$1.00=Cdn\$1.3840	AR\$1.00=Cdn\$0.1069	Soles\$1.00=Cdn\$0.4056
September 30, 2015	US\$1.00=Cdn\$1.3345	AR\$1.00=Cdn\$0.1422	Soles\$1.00=Cdn\$0.4156
June 30, 2015	US\$1.00=Cdn\$1.2490	AR\$1.00=Cdn\$0.1372	Soles\$1.00=Cdn\$0.3927
March 31, 2015	US\$1.00=Cdn\$1.2666	AR\$1.00=Cdn\$0.1438	Soles\$1.00=Cdn\$0.4096
December 31, 2014	US\$1.00=Cdn\$1.1601	AR\$1.00=Cdn\$0.1371	Soles\$1.00=Cdn\$0.3898

### Gain (Loss) on Sale of Available-for-Sale Financial Assets

The Company has investments in U.S. dollar denominated bonds issued by the government of Argentina – see section “1.2 Overall Performance – Available-for-sale financial assets” above for further information. The Company has classified all of the bonds as available-for-sale financial assets. As a result of disposing of bonds for proceeds below cost, the Company recognized a loss of \$0.7 million in Other income (expense) during the year ended December 31, 2016. As a result of disposing of bonds for proceeds above cost, the Company recognized a gain of \$1.6 million in Other income (expense) during the year ended December 31, 2015. See note 7 of the Company's December 31, 2016 annual consolidated financial statements for further information.

### Gain (loss) on fair value through profit or loss financial instruments

During the second half of 2015, the Company began entering into Canadian dollar – U.S. dollar foreign exchange forward contracts in order to protect the Company's holdings of U.S. dollars while still earning interest income on Canadian dollars, which earns a higher interest rate. As a result of changes in the fair value of the Canadian dollar – U.S. dollar foreign exchange forward contracts, the Company recognized losses of \$3.5 million in Other income (expense) on the consolidated statement of income (loss) during the year ended December 31, 2016 (year ended December 31, 2015 – \$2.2 million gains). The Company did not hold any foreign exchange forward contracts at December 31, 2016.

During the year ended December 31, 2016, the Company recognized a loss of \$2.6 million (year ended December 31, 2015 – \$0.2 million gains) related to the acquisition costs payable in Other income (loss) on the consolidated statement of income (loss). The \$2.6 million loss recorded during the year ended December 31, 2016 is a result of: (i) the decrease in the discount rate used to calculate the fair value at December 31, 2016, (ii) updated pricing assumptions used to calculate the fair value at December 31, 2016 and (iii) the passage of time. See note 13 of the Company's December 31, 2016 annual consolidated financial statements for further information.

### Income tax expense

During the year ended December 31, 2016, the Company recognized \$0.4 million of current income tax expense and \$1.6 million of deferred income tax expense related to its operations in Peru. During the year ended December 31, 2015, the

Company recognized \$0.8 million of minimum income tax expense (included in discontinued operations) related to its operations in Argentina. See note 18 of the December 31, 2016 annual consolidated financial statements for further information.

#### Discontinued operations

Management has used its judgement to determine that the sale of Energicon constitutes a discontinued operation, since the sale resulted in the Company no longer having interests in conventional and unconventional oil and gas properties in Argentina. Accordingly, all of the Company's revenues, income, expenses, and costs related to oil and gas activities (including those related to Energicon and Petrogas Argentina) have been shown on the consolidated statement of income (loss) as discontinued operations.

For the years ended December 31, 2016 and 2015, the Company reported \$8.1 million and \$37.7 million, respectively, of net loss from discontinued operations, net of income tax expense. Included in net loss from discontinued operations, net of income tax expense, for the year ended December 31, 2016 is \$0.3 million of impairment reversal related to Energicon – see note 24 of the December 31, 2016 annual consolidated financial statements for further information. Included in net loss from discontinued operations, net of income tax expense, for the year ended December 31, 2015 is \$23.9 million of impairment losses – see note 25 of the December 31, 2016 annual consolidated financial statements for further information. See section “1.2 Overall Performance – Accumulated other comprehensive income (loss)” above for information on previously recognized other comprehensive loss reclassified to net loss from discontinued operations, net of income tax expense.

As a result of the sale of Energicon during the fourth quarter of 2016, the Company has recognized a receivable of Cdn\$2.8 million (US\$2.1 million) included in Other current assets at December 31, 2016. The sale of Energicon also resulted in the Company derecognizing some assets (primarily Exploration and evaluation assets) and some liabilities (primarily Accounts payable and accrued liabilities) – see note 24 of the December 31, 2016 annual consolidated financial statements for further information.

#### Other Comprehensive Income (Loss)

The Company reported net \$7.1 million of other comprehensive income for the year ended December 31, 2016, including \$6.6 million of other comprehensive income related to discontinued operations. The Company reported net \$16.5 million of other comprehensive income for the year ended December 31, 2015, including \$13.1 million of other comprehensive income related to discontinued operations. For the years ended December 31, 2016 and 2015, the Company reclassified \$6.6 million and \$18.0 million, respectively, of other comprehensive loss to the consolidated statement of income (loss) as net loss from discontinued operations, net of income tax expense as a result of the sale of Energicon S.A. and the sale of Americas Petrogas Argentina S.A.

The reported other comprehensive income/loss reflects: (i) changes related to available-for-sale financial assets; (ii) exchange differences arising on intercompany items that are considered to be part of the Company's net investment; and (iii) foreign currency adjustments which result from translating and consolidating the financial statements of the Company's foreign operations into the Canadian dollar presentation currency.

### **1.3 Selected Annual Information**

The following financial information has been summarized from the consolidated financial statements of GrowMax Resources:

(\$ in thousands, except per share amounts) <sup>(1),(2)</sup>	As of and for the years ended December 31		
	2016	2015	2014
Net revenue <sup>(2)</sup>	\$ -	\$ -	\$ -
Net income (loss) from continuing operations attributable to Owners of the Company <sup>(2)</sup>	(12,179)	(2,737)	(4,095)
Basic and diluted earnings (loss) per share from continuing operations attributable to Owners of the Company	(0.06)	(0.01)	(0.02)
Net income (loss) attributable to owners of the Company	(20,239)	(40,451)	(52,851)
Basic and diluted earnings (loss) per share attributable to Owners of the Company	(0.09)	(0.17)	(0.24)
Total assets	108,935	131,433	159,486
Total non-current financial liabilities	10,636	3,448	3,145
Cash dividends declared	\$ -	\$ -	\$ -

Notes:

- (1) The financial statements are presented in Canadian dollars and have been prepared in accordance with IFRS. The Company's functional currencies are: Canadian dollar for GrowMax Resources' head office operations and U.S. dollar for GrowMax Agri Corp. and APPSA. The functional currency of Energicon and Petrogas Argentina was, prior to their disposals, the Argentine Peso.
- (2) The amounts reported for 2014 and 2015 reflect a restatement for discontinued operations. The Company's oil and gas operations have been classified as discontinued operations as a result of the sale of Energicon in 2016. See note 25 of the December 31, 2016 annual consolidated financial statements for further information.

### Continuing operations

The Company reported a net loss from continuing operations attributable to Owners of the Company of \$12.2 million, \$2.7 million and \$4.4 million, respectively, during the years ended December 31, 2016, 2015 and 2014. The variation in net loss from continuing operations over the past three years is primarily attributable to changes in items comprising Other income (expense), including: settlement of dissented shares, foreign exchange gain (loss), gain (loss) on sale of available-for-sale financial assets, and gain (loss) on fair value through profit or loss financial instruments.

For further information regarding the results of operations for 2016 and a comparison to 2015, see section "1.2 Overall Performance" above.

### Discontinued Operations

Management has used its judgement to determine that the sale of Energicon (which was first classified as held for sale during the second quarter of 2016 as a result of the Company pursuing options to sell Energicon) constitutes a discontinued operation. The ultimate sale of Energicon resulted in the Company no longer having interests in conventional and unconventional oil and gas properties in Argentina. Accordingly, all of the Company's revenues, income, expenses, and costs related to oil and gas activities (including those related to Energicon and Petrogas Argentina) have been shown on the consolidated statement of income (loss) as discontinued operations.

For the years ended December 31, 2016, 2015 and 2014, the Company had \$8.1 million, \$37.7 million and \$48.8 million, respectively, of net loss from discontinued operations, net of income tax. Discontinued operations for the year ended December 31, 2016 include the operations of Energicon (up until the date it was sold on November 24, 2016). Discontinued operations for the year ended December 31, 2015 include the operations of Petrogas Argentina (up until the date it was sold on August 28, 2015) and Energicon (for the full year). Discontinued operations for the year ended December 31, 2014 include the operations of Petrogas Argentina (for the full year) and Energicon (for the full year).

Medanito Sur, the Company's main revenue-producing property was disposed of as part of the sale of the shares of Petrogas Argentina on August 28, 2015. As well, the Company relinquished its interest in the Rinconada Norte block in January 2016.

### Total Assets

The components of GrowMax Resources' total assets for the past three year-ends are as follows:

(\$ in thousands)	<b><u>December 31, 2016</u></b>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets			
Cash and cash equivalents	\$ 42,896	\$ 56,671	\$ 14,718
Restricted cash and cash equivalents	-	13,465	-
Available-for-sale financial assets	6,348	7,722	-
Foreign exchange forward contracts	-	2,408	-
Other current assets <sup>(1)</sup>	3,195	2,925	10,855
Exploration and evaluation assets	46,075	31,991	89,017
Property, plant and equipment	217	863	33,838
Non-current available-for-sale financial assets	-	5,530	-
Non-current restricted investments	6,727	6,945	5,825
Other non-current assets <sup>(2)</sup>	3,477	2,913	5,233
<b>Total assets</b>	<b>\$ 108,935</b>	<b>\$ 131,433</b>	<b>\$ 159,486</b>

Notes:

- (1) Other current assets at December 31, 2016 includes a Cdn\$2.8 million (US\$2.1 million) receivable from EOA for the sale of Energicon. Other current assets at December 31, 2015 includes Cdn\$1.7 million (US\$1.2 million) receivable from the Peruvian Group (a related party to the Company – see section “1.9 Transactions with Related Parties” for further information). Other current assets at December 31, 2014 includes \$4.0 million of accounts receivable, \$1.3 million of inventory and \$4.7 million of value-added tax (“VAT”) receivables (see note 4(t) of the December 31, 2016 annual consolidated financial statements for further information on VAT receivables).
- (2) Relates primarily to value-added tax (“VAT”) receivables.

For information regarding changes in the Company’s assets from December 31, 2015 to December 31, 2016, see section “1.2 Overall Performance” above.

The Company’s cash and cash equivalents, restricted cash and cash equivalents and available-for-sale financial assets increased from December 31, 2014 to December 31, 2015 due mainly to the sale of Petrogas Argentina in August 2015 (see note 23 of the Company’s December 31, 2016 annual consolidated financial statements for further information on the sale). The Company held some foreign exchange forward contracts at December 31, 2015 and, as a result, the Company posted \$3.5 million cash (restricted cash and cash equivalents on the consolidated statement of financial position) as collateral for foreign exchange forward contracts at December 31, 2015. From December 31, 2014 to December 31, 2015, the Company’s balance of Other current assets decreased primarily as a result of the sale of Petrogas Argentina. From December 31, 2014 to December 31, 2015, the Company’s balance of exploration and evaluation assets decreased as a result of the sale of Petrogas Argentina and impairment losses. From December 31, 2014 to December 31, 2015, the Company’s balance of property, plant and equipment decreased as a result of the sale of Petrogas Argentina, depreciation and depletion. In 2014, the Company posted a US\$5.0 million performance bond (classified as non-current restricted investment) related to work commitments in Peru and this balance increased in 2015 due to a strengthening of the U.S. dollar against the Canadian dollar (presentation currency of the financial statements).

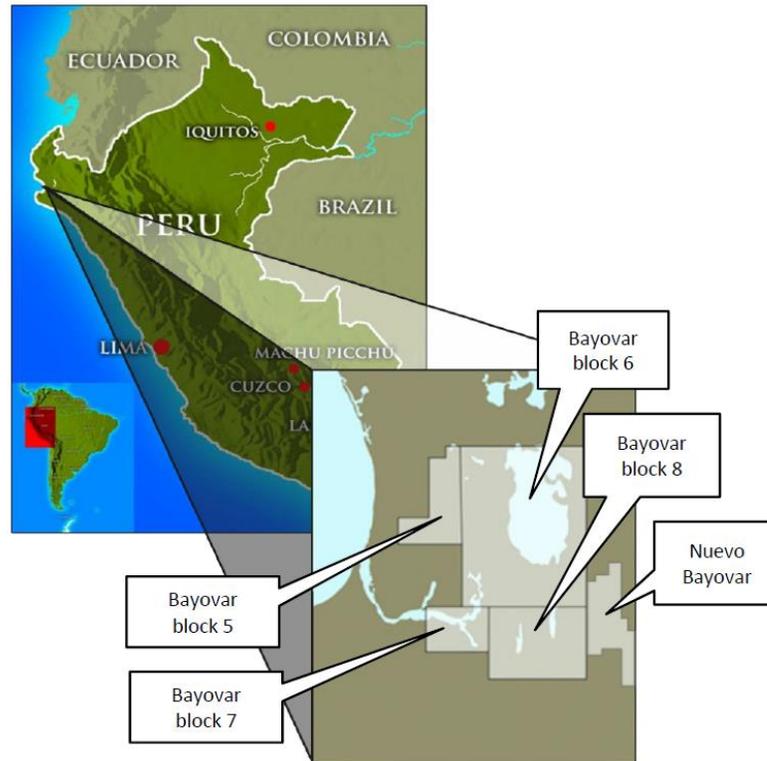
## 1.4 Discussion of Operations

GrowMax Resources is focused on the exploration and development of phosphate and potassium-rich brine resources on its Bayovar Property, which is located in the Sechura Desert in northwestern Peru. The Company has its (i) corporate office in Canada, and (ii) phosphates, potash brine, and other minerals exploration operations in Peru.

As a result of the sale of Energicon in 2016 and Petrogas Argentina in 2015, the Company no longer has any oil and gas operations. All of the Company’s oil and gas operations have been classified as discontinued operations.

### Bayovar Property in the Sechura Desert of Peru

The following is a map showing the location of the Company’s properties in Peru, which are located in the Bayovar district within the Sechura Desert, Peru. The Bayovar Property includes blocks 5, 6, 7 and 8.



In September 2008, APPSA (GrowMax Resources' Peruvian subsidiary) entered into the Bayovar Agreement with Activos Mineros S.A.C. of the government of Peru, which provided APPSA with the option to acquire a net 70% participating interest in the Bayovar Property. In May 2014, APPSA exercised the option and the Transfer Agreement was executed granting a net 70% interest in the Bayovar Property to APPSA. Until early 2016, the remaining 30% participating interest in the Bayovar Property was held by the Peruvian Group which was fully carried by the Company until completion of an acceptable feasibility study (see section "1.9 Transactions with Related Parties" for further information). However, in early 2016, APPSA purchased the 30% interest from the Peruvian Group, so APPSA now holds 100% of the Bayovar Property (see section "1.9 Transactions with Related Parties" for further information). The execution of the Transfer Agreement resulted in commitments for APPSA (see section "1.7 Capital Resources" for further information).

In May 2009, following the signing of the Bayovar Agreement, APPSA signed a surface rights access agreement with the Community Foundation of San Martin de Sechura that provides APPSA the unconditional right of surface access to the Bayovar Property area for 30 years. APPSA has the right to extend the surface rights access agreement to a total of 99 years.

In 2014, the Company officially recorded, with the public registry in Peru, 10,200 additional gross hectares (approximately 25,205 acres or 102 square kilometers) of concessions in the Bayovar district within the Sechura Desert, Peru. When added to the Company's original Bayovar Property (concessions 5, 6, 7 and 8), which measures in excess of 82,000 gross hectares (202,600 acres or 820 square kilometers), the Company holds registered concessions totaling 92,200 gross hectares (227,831 acres or 922 square kilometers) in the Bayovar district within the Sechura Desert, Peru.

The Company's concessions in Peru are located near a well-developed area with access to highways/roads, power transmission lines, oil and gas pipelines, and ports that provide access to regional and global markets.

#### *Potash Brine*

Mineral salt containing brines occur in a coastal sabkha at the Bayovar Property. These brines contain sodium, chloride, potassium, sulfate, magnesium, and other potentially valuable minerals.

From 2008 to 2015 the Company's aim for creating potential value from the brine was focused on exploration and development with plans to produce potassium chloride, also known as Muriate of Potash ("MOP"). In 2013, the Company received an independent estimate of potash resources available in the brine on the Bayovar Property in the form of MOP. This resource estimate is available at [www.sedar.com](http://www.sedar.com) in chapter 14 of the report titled "Amended and Restated NI 43-101 Mineral Resource Statement for Mineral Concessions Bayovar 5 to 8, Sechura Area, Piura Province, Peru" with an effective date of January 11, 2013.

Following an engineering concept design review in early 2016, the Company changed its planning to the potential development of Potassium Sulfate, also known as SOP.

In early 2017, the Company received the results of a Sulfate of Potash Study. A leading global potash engineering consultant was engaged to assist the Company with the provision of a design and engineering study for a pilot potash project on the Company's Bayovar Property. The study included capital and operating cost estimates for a pilot facility, including evaporation ponds and a processing plant, for the production of 5,000 tonnes per year of soluble SOP. The pilot facility design envisions the production of Kainite and Carnallite from evaporation ponds covering between 50 and 60 hectares, and the processing of those minerals to produce 5,000 tonnes per year of soluble SOP. The production process is also expected to produce 185,000 tonnes per year of Sodium Chloride (NaCl) salt. For further information, refer to the press release entitled "GrowMax Announces Results of Sulfate of Potash Study" which is dated February 6, 2017.

### *Phosphates*

The Company believes that the Bayovar Property area has considerable phosphate resources located in the southern and western portions of the property.

On August 11, 2016, the Company filed an updated National Instrument 43-101 ("NI 43-101") compliant Mineral Resource estimate, titled 'Mineral Resource Technical Report on the GrowMax Bayovar Phosphate Project, Piura Region, Peru', including an initial Mineral Resource estimate for one of the concessions, for its Bayovar phosphate project. The independent estimate was prepared by Golder Associates ("Golder") and was an update of the previous Mineral Resource estimates prepared by Golder dated May 11, 2015 and April 28, 2016. The Resource Estimation was prepared under the supervision of Jerry DeWolfe, MSc. P.Geo, an Independent Qualified Person as defined under NI 43-101.

This latest Mineral Resource estimate update was based on all drill holes drilled by the Company to date including 2016 drilling on the Bayovar 5, 6, 7 and 8 concessions. The update resulted in a total of 29.7 million tonnes (dry) of Measured Resources (average grade of 12.00% P<sub>2</sub>O<sub>5</sub>, Bayovar 7), 149.3 million tonnes (dry) of Indicated Resources (average grade 12.48% P<sub>2</sub>O<sub>5</sub>; Bayovar 6, 7 & 8 combined) and 430.1 million tonnes (dry) of Inferred Resources (average grade 13.60% P<sub>2</sub>O<sub>5</sub>; Bayovar 5, 6, 7 & 8 combined). For additional information, including applicable disclosures, please refer to that resource report which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under GrowMax Resources Corp.

In 2016, the Company received the results of an independent Preliminary Economic Assessment ("PEA") for its Bayovar 7 phosphate project on the Bayovar Property located in the Sechura Desert, Peru. The results were announced on September 12, 2016 and the PEA report was filed on SEDAR on October 27, 2016. For further information, including applicable disclosures, refer to the PEA report which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under GrowMax Resources Corp.

The Company is currently also considering completion of engineering designs for a small-scale pilot mine on the Bayovar 7 block that could potentially produce less refined phosphate rock than envisaged in the PEA, and would focus exclusively on supplying the local and regional markets for Direct Application Phosphate Rock (DAPR). Information obtained from potentially designing and building such a pilot mine could provide useful geological and marketing information for a possible optimization of a larger scale mine as contemplated in the PEA.

### Milestones

#### *Potash Brine*

As mentioned above, following an engineering concept design review in early 2016, the Company changed its planning from being focused on the potential development of MOP to the potential development of SOP.

In order to pursue the SOP-focused project, the Company has applied for an extension and modification of its original production and investment obligations/commitments under the Transfer Agreement. The extension and modification are expected to be approved in the near future; however, there is no assurance regarding the timeline for such approval or that the approval will occur at all.

Over the past year, the Company, with the assistance from a major global engineering consulting firm, has developed basic engineering designs for a new SOP-focused pilot project as described above and has started working towards the development of detailed engineering designs. The Company has also received approvals of preliminary permits to develop the project, and is awaiting or working towards submission of additional permit applications.

In order to commence commercial production of SOP, the Company will need to:

1. obtain an extension and modification of its obligations/commitments under the Transfer Agreement;
2. complete detailed engineering designs and a development plan;
3. progress social, environmental and permitting requirements;
4. construct solar evaporation ponds and a processing plant for the production of SOP; and
5. conclude sales, marketing and transportation agreements.

The Company currently expects to begin construction of the solar evaporation ponds in late 2017. Based upon the Kainite and Carnallite production results from the solar evaporation ponds, the Company plans to start construction of the SOP processing plant in 2018. Also, in 2017, the Company expects to perform further analysis of local and regional markets for SOP and Sodium Chloride.

### Phosphates

Over the past year, the Company has completed significant exploration drilling for phosphates, updated its phosphate resource estimates for the Bayovar Property, and completed a PEA for a potential mine on the Bayovar 7 block, as described above and in more detail in the PEA.

In order to advance towards the commercial production of phosphates at the Bayovar Property, the Company will need to complete further investigations and studies of domestic and regional sales of phosphate rock and to progress on social, environmental and permitting requirements. The Company intends to pursue these objectives in 2017.

Depending on the outcome of market studies, the Company is considering progressing the concept of a large-scale mine, similar to the design concept outlined in the PEA, by completing a feasibility study in 2018. At the same time, the Company is working toward submission of permit applications and completion of engineering designs in 2017 that could allow for construction and commencement of pilot production from a small-scale pilot mine in 2018.

## 1.5 Summary of Quarterly Results

(\$ in thousands, except per share amounts) <sup>(1),(2)</sup>	<u>Dec 31-16</u>	<u>Sep 30-16</u>	<u>Jun 30-16</u>	<u>Mar 31-16</u>	<u>Dec 31-15</u>	<u>Sep 30-15</u>	<u>Jun 30-15</u>	<u>Mar 31-15</u>
Net revenue <sup>(2),(3)</sup>	-	-	-	-	-	-	-	-
Net income (loss) from continuing operations attributable to Owners of the Company <sup>(2)</sup>	(1,658)	(1,663)	(2,804)	(6,054)	(3,073)	1,549	(1,220)	7
Basic and diluted earnings (loss) per share from continuing operations attributable to Owners of the Company	(0.01)	(0.01)	(0.01)	(0.03)	(0.01)	0.01	(0.01)	0.00
Net income (loss) attributable to Owners of the Company	(8,046)	(1,877)	(4,333)	(5,983)	(10,124)	(19,998)	(8,773)	(1,556)
Basic and diluted earnings (loss) per share attributable to Owners of the Company	(0.04)	(0.01)	(0.02)	(0.03)	(0.04)	(0.09)	(0.04)	(0.01)
Net income (loss) from discontinued operations, net of income tax <sup>(2)</sup>	(6,386)	(214)	(1,529)	69	(7,051)	(21,547)	(7,553)	(1,563)

#### Notes:

- (1) The financial statements are presented in Canadian dollars and have been prepared in accordance with IFRS. The Company's functional currencies are: Canadian dollar for GrowMax Resources' head office operations and U.S. dollar for GrowMax Agri Corp. and APPSA. The functional currency of Energicon and Petrogas Argentina, prior to their disposals, was the Argentine Peso.
- (2) The Company's oil and gas operations have been classified as discontinued operations as a result of the sale of Energicon in the fourth quarter of 2016 – see note 25 of the December 31, 2016 annual consolidated financial statements for further information.
- (3) The sale of Petrogas Argentina in the third quarter of 2015 resulted in the Company disposing of its interest in its main revenue producing property.

The following table summarizes some the major items comprising net income (loss) from continuing operations for each of the eight most recently completed quarters:

(\$ in thousands) <sup>(1)</sup>	<u>Dec 31-16</u>	<u>Sep 30-16</u>	<u>Jun 30-16</u>	<u>Mar 31-16</u>	<u>Dec 31-15</u>	<u>Sep 30-15</u>	<u>Jun 30-15</u>	<u>Mar 31-15</u>
General & administrative expense								
Depreciation	(6)	(6)	(5)	(6)	(7)	(14)	(14)	(15)
Stock-based compensation recovery (expense)	(65)	(127)	(121)	(162)	(310)	560	(272)	(361)
Other general and administrative	(205)	(1,142)	(1,958)	(971)	(2,357)	(819)	(1,236)	(681)
Other income (expense)								
Finance costs	-	-	-	(17)	-	(22)	-	-
Interest income	154	177	233	245	311	86	39	21
Settlement of dissented shares	-	-	-	(42)	(3,131)	-	-	-
Foreign exchange gain (loss)	227	817	28	(997)	986	373	(37)	159
Gain (loss) on sale of available-for-sale financial assets	(62)	(583)	4	(106)	156	158	278	979
Gain (loss) on foreign exchange forward contracts (fair value through profit or loss financial instruments)	886	(19)	(558)	(3,797)	1,730	495	-	-
Gain (loss) on acquisition costs payable (fair value through profit or loss financial instrument)	(1,097)	(605)	(627)	(271)	(611)	911	19	(118)
Income tax expense	(2,028)	-	-	-	-	-	-	-

Notes:

(1) The Company's oil and gas operations have been classified as discontinued operations as a result of the sale of Energicon in the fourth quarter of 2016 – see note 25 of the December 31, 2016 annual consolidated financial statements for further information.

Stock-based compensation expense arises from the vesting of stock options. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest, which can result in stock-based compensation recovery.

Foreign exchange gain/loss reflects the impact of changes in exchange rates on foreign denominated financial instruments. See section '1.2 Overall Performance – Other Income (Expense) – Foreign Exchange Gain (Loss)' for further information regarding the movement in foreign exchange rates.

Fluctuations in the U.S. dollar – Canadian dollar exchange rate also have resulted in the Company recognizing Gain (loss) on foreign exchange forward contracts. During the second half of 2015, the Company began entering into Canadian dollar – U.S. dollar foreign exchange forward contracts in order to protect the Company's holdings of U.S. dollars while still earning interest income on Canadian dollars, which earns a higher interest rate. The Company did not hold any forward contracts at December 31, 2016 and the Company has not entered into any foreign exchange forward contracts so far in 2017.

Gain (loss) on sale of available-for-sale financial assets results from the disposal of Argentine bonds. Substantially all of the available-for-sale financial assets held by the Company at December 31, 2016 have been disposed of in 2017 and the Company does not anticipate making further investments in Argentina bonds in the foreseeable future.

Gain (loss) on acquisition costs payable result from fair value adjustments on the acquisition costs payable liability. The acquisition costs payable liability is being carried at fair value. The fair value of the liability has been updated over the past eight most recently completed quarters to reflect changes in the discount rate, updated pricing assumptions, and the passage of time.

For further information, see section "1.2 Overall Performance" above.

## 1.6 Liquidity

### Overall

As of December 31, 2016, GrowMax Resources has \$42.9 million of consolidated cash and cash equivalents. As well, at December 31, 2016, the Company had a positive consolidated working capital position of \$49.6 million (working capital is calculated as current assets (\$52.4 million) less current liabilities (\$2.8 million)).

The Company's near-term activities (including the 2017 capital work program and general and administrative costs) and near-term investment commitments are expected to be funded with the Company's existing cash and cash equivalents.

However, additional funding (from issuing equity, debt financing, farm outs, sale of assets or other means) will ultimately be required to further the Company's exploration and development activities.

The sale of Petrogas Argentina in 2015 resulted in the Company disposing of its interest in its main revenue producing property.

For further information, see section "1.15 Other MD&A Information not disclosed elsewhere and Advisories – Business Risk Factors".

#### Other

The Company's financial instruments as of December 31, 2016 consist of cash and cash equivalents, various receivables included in other current assets, restricted investments, bonds, receivable from Tecpetrol, accounts payable and accrued liabilities, payable to Peruvian Group, and acquisition costs payable. For additional information on financial instruments, see section "1.14 Financial Instruments and Other Instruments" below.

The Company has commitments related to its mining activities – for further information, see section "1.7 Capital Resources" below.

### **1.7 Capital Resources**

#### Oil and gas concessions – Argentina

The sale of Energicon on November 24, 2016 resulted in EOA assuming the Company's remaining Cdn\$8.5 million (US\$6.5 million) commitments related to the oil and gas concessions in Argentina and resulted in EOA replacing the related performance bonds. Accordingly, the Company no longer has any commitments or performance bonds outstanding relating to oil and gas concessions in Argentina.

#### 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 Bayovar Property (from a related party – see section "1.9 Transactions with Related Parties" for further information), which increased APPSA's working interest in the Bayovar Property from 70% to 100% - see notes 12 and 21 of the December 31, 2016 annual consolidated financial statements for further information.

The following commitments related to the potash project, which resulted from the execution of the Transfer Agreement, are still outstanding as of December 31, 2016:

- Commence commercial production by May 2017;
- Produce a minimum of 70% of the annual sales volume set forth in the study by May 2017;
- Invest a minimum of 70% of the projected capital cost set forth in the study: Year ended May 2015 – US\$0.5 million; Year ended May 2016 – US\$1.1 million; and Year ended May 2017 – US\$10.6 million. (For the years ended May 2015 and 2016, US\$1.5 million and US\$2.1 million, respectively, have already been invested and confirmed by the applicable government agency.)

The Transfer Agreement states that upon the occurrence of an act of God, an event of force majeure, or an event not directly attributable to negligence of the Company, the obligations of the Transfer Agreement directly affected by said event shall be suspended. The Company believes that the timeline for its obligations under the Transfer Agreement has been partially deferred.

The Company has applied to the applicable Peruvian agency for an extension and modification of its commitments and obligations under the transfer agreement. There is no assurance that an extension and modification will be approved. However, if approved, the extension and modification would likely result in a monetary penalty and could result in an increase in the investment commitments. If no extension and modification is approved, the Company could be in default of its commitments and obligations under the transfer agreement. The Company's restricted investments balance at December 31, 2016 and 2015 relates to a US\$5.0 million 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. The Company has received preliminary feedback from the applicable Peruvian government agency that a two-year extension for its commitments and obligations is likely to be approved.

The Transfer Agreement requires future production-related payments to be paid to the Peruvian state-owned company

based on future production levels. The future payments to the Peruvian state-owned company are, for accounting purposes, considered acquisition costs. See note 13 of the December 31, 2016 annual consolidated financial statements 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, payable every six months, beginning in the second half of the fourth year following execution of the Transfer Agreement. 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 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	Cdn\$2.4 million (US\$1.8 million)
Beyond five years up to 28 years	Cdn\$34.3 million (US\$25.5 million)
<u>Total</u>	<u>Cdn\$36.7 million (US\$27.3 million)</u>

#### Office leases - Peru

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

Not later than one year	Cdn\$0.2 million (US\$0.1 million)
Later than one year and not later than five	Cdn\$0.6 million (US\$0.4 million)
<u>Total</u>	<u>Cdn\$0.8 million (US\$0.6 million)</u>

#### Summary

As of December 31, 2016, GrowMax Resources has \$42.9 million of consolidated cash and cash equivalents. As well, at December 31, 2016, the Company had a positive consolidated working capital position of \$49.6 million (working capital is calculated as current assets (\$52.4 million) less current liabilities (\$2.8 million)).

If the Company's exploration activities are successful or should the Company wish to accelerate its exploration and development plans, the Company will need additional funding for more drilling and for development activities (beyond the minimum commitments). The Company believes that such additional funding should be accessible, if successful progress is demonstrated; however, there is no assurance that additional funding will be available, or if available, that it will be on terms acceptable to the Company. For further information, see section "1.6 Liquidity" above.

Besides equity financing, possible opportunities for funding include farm-outs or project financing. GrowMax Resources does not have any general credit facilities. As exploration work progresses, the Company's financing plans could change and the change could be material.

There are several key factors that can impact the plans and expectations regarding fulfilling the capital commitments and availability of capital resources, including, but not limited to, the need for government approvals, environmental approvals, community relations, adverse weather conditions, phosphates prices, potash/carnallite prices, costs of production, the degree of success, if any, in finding minerals, and the availability of new funding on terms acceptable to the Company.

### **1.8 Off-Balance Sheet Arrangements**

The Company has operating leases as noted in section "1.7 Capital Resources" above.

### **1.9 Transactions with Related Parties**

In 2016, in addition to key management personnel, related parties consisted of (i) a private Peruvian company controlled by a close family member of Carlos Lau (a director of the Company), and (ii) the corporate secretary of the Company. In

2015, related parties consisted of (i) close family members of Barclay Hambrook (a former senior executive of the Company), (ii) a private Peruvian company controlled by a close family member of Carlos Lau (a director of the Company), and (iii) the corporate secretary of the Company.

The Company incurred the following fees and expenses in connection with related parties (excluding compensation of key management personnel, which is shown in the next section):

(\$ in thousands)	Year ended December 31	
	2016	2015
Legal fees <sup>(1)</sup>	\$ 468	\$ 592
Consulting fees <sup>(2)</sup>	120	230
Short-term employee benefits <sup>(3)</sup>	-	101
Termination benefits <sup>(2),(3)</sup>	781	96
Stock-based compensation expense (recovery)	16	(59)
	<b>\$ 1,385</b>	<b>\$ 960</b>

Notes:

- (1) The legal fees were incurred from the corporate secretary of GrowMax Resources Corp. Of the \$0.5 million legal fees incurred during the year ended December 31, 2016, \$0.3 million was included in other general and administrative expenses within continuing operations and \$0.2 million was netted against the gain on sale of disposal group within discontinued operations. Of the \$0.6 million legal fees incurred during the year ended December 31, 2015, \$0.3 million was included in other general and administrative expenses within continuing operations and \$0.3 million was included in the loss on sale of disposal group within discontinued operations. During the years ended December 31, 2016 and 2015, the Company issued 50,000 and 80,000 respectively, of share options to 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). The termination costs incurred during the year ended December 31, 2016 related to the termination of the consulting arrangement with this related party.
- (3) The short-term employee benefits and termination costs for the year ended December 31, 2015 were incurred by a close family members of Barclay Hambrook (a former senior executive of the Company).

#### Compensation of key management personnel

During the year ended December 31, 2016, key management personnel consisted of the Executive Chairman/Chief Executive Officer, the Chief Financial Officer, the Executive Vice President and the Board of Directors. The remuneration of key management personnel during the years ended December 31, 2016 and 2015 was as follows

(\$ in thousands)	Year ended December 31	
	2016	2015
Short-term employee benefits <sup>(1)</sup>	\$ 1,864	\$ 2,137
Termination benefits <sup>(2)</sup>	-	1,386
Pension costs – defined contribution plans	25	24
Stock-based compensation expense <sup>(3)</sup>	392	362
	<b>\$ 2,281</b>	<b>\$ 3,909</b>

Notes:

- (1) Includes directors' fees, consulting fees, salaries, bonuses, and medical benefits.
- (2) For the year ended December 31, 2015, the Company paid \$1.4 million in termination payments to Barclay Hambrook, the former Chief Executive Officer of the Company.
- (3) Reflects the amount recorded as an expense in the consolidated statement of income (loss). The fair value of stock-based compensation is measured at grant date using an option pricing model, and is recognized as an expense over the vesting period.

During the years ended December 31, 2016 and 2015, the Company granted 1,400,000 and 3,400,000, respectively, of share options to key management personnel. Subsequent to December 31, 2016, 1,200,000 share options were granted to two new members of key management personnel.

#### Bayovar concession

As a result of the execution of the Transfer Agreement for the Bayovar Property in May 2014, APPSA had a net 70% interest in the Bayovar Property. A close family member of Carlos Lau held, on behalf of a Peruvian group ("the Peruvian Group"), the remaining 30% interest in the Bayovar Property. In 2016, the Company increased APPSA's working interest in the Bayovar Property from 70% to 100% by acquiring the additional 30% interest from the Peruvian Group – see note 12 of the December 31, 2016 annual consolidated financial statements for further information. At December 31, 2015, a receivable from the Peruvian Group in the amount of Cdn\$1.7 million (US\$1.2 million) is included in Other Current Assets. This receivable was settled as part of the acquisition of the additional 30% interest from the Peruvian Group in 2016 – see note

12 of the December 31, 2016 annual consolidated financial statements for further information. See section "1.7 Capital Resources" above for information on commitments in respect of the Bayovar Property.

#### Kisan and IFFCO

One of the directors of GrowMax Resources Corp. and one of the directors of GrowMax Agri Corp. is a representative of the Indian Farmers Fertiliser Co-operative ("IFFCO"). Kisan International Trading FZE ("Kisan"), a subsidiary of IFFCO, owns approximately 15% of the shares of GrowMax Resources Corp. Up to June 30, 2016, Kisan and IFFCO combined owned 11% of the shares of GrowMax Agri Corp. On June 30, 2016, GrowMax Agri Corp. issued additional common shares to GrowMax Resources Corp., which reduced Kisan and IFFCO's combined ownership of GrowMax Agri Corp. from 11% to 8%.

Kisan has a pre-emptive right to participate in the sale of any additional equity securities and any non-equity securities that are convertible into equity securities by GrowMax Resources Corp., at the same price as other participants in such financing, up to its pro-rata interest determined at the time of the proposed issuance of securities. Up until GrowMax Agri Corp. completes a public equity offering of its shares resulting in its shares being listed on a recognized stock exchange under Canadian securities law, Kisan and IFFCO each have a pre-emptive right to participate in the sale of any additional equity securities and any non-equity securities that are convertible into equity securities by GrowMax Agri Corp., at the same price as other participants in such financing, up to its pro-rata interest determined at the time of the proposed issuance of securities.

In May 2011, GrowMax Agri Corp. and APPSA signed an offtake agreement to supply Kisan up to one-half of the total future potash production from the Bayovar project. The key terms and conditions of the potash offtake agreement include: (a) selling up to 50% of future potash production from the Bayovar project to the IFFCO group of companies; (b) a contract term of 15 years from the commencement date of commercial production from the Bayovar project; and (c) potash price to be paid will be based on prevailing potash market price (India delivery) subject to a modest discount towards offtake obligations.

#### Private Placement

In November 2015, Abdel Badwi, the interim Chief Executive Officer and Executive Chairman of the Board of Directors of the Company, purchased, on a non-brokered private placement basis, 2.0 million units ("Units") at a price of \$0.25 per Unit for an aggregate offering price of \$0.5 million. See note 14(a) of the December 31, 2016 annual consolidated financial statements for further information.

#### Petrogas Argentina and Energicon

On August 28, 2015, the Company sold all of the issued and outstanding common shares of Petrogas Argentina, as well as certain intercompany indebtedness owing by Petrogas Argentina to the Company and its other subsidiaries – see note 23 of the December 31, 2016 annual consolidated financial statements for further information.

On November 24, 2016, the Company sold all of the issued and outstanding common shares of Energicon – see note 24 of the December 31, 2016 annual consolidated financial statements for further information.

See note 25 of the December 31, 2016 annual consolidated financial statements for information about foreign exchange gain (loss) recorded on intercompany monetary items.

#### GrowMax Agri Corp.

During the second quarter of 2016, GrowMax Agri Corp., issued 26,121,589 of its common shares to GrowMax Resources Corp. to settle \$7.3 million 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 89% to 92%. It also resulted in an increase in the non-controlling interest balance by \$46,000 with a corresponding increase in deficit.

### **1.10 Fourth Quarter**

See section "1.5 Summary of Quarterly Results" above.

### **1.11 Proposed Transactions**

None.

## 1.12 Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues 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. Actual results may differ from these estimates. For further information, see the disclosures and accounting policies included in the annual consolidated financial statements.

## 1.13 Change in Accounting Policies including Initial Adoption

Effective January 1, 2016, the Company adopted new and revised IFRSs that were issued by the IASB. These IFRSs did not have any material impact on disclosure or the amounts reported for the current or prior years but may affect the disclosure and accounting for future transactions or arrangements.

### New and Revised Accounting Standards

The Company has not yet assessed the impact of the following new and revised accounting standards or determined whether it will early adopt them:

(i) Effective for annual periods beginning on or after January 1, 2018:

- New standard, *IFRS 15, Revenue from contracts with customers*

IFRS 15 is a new standard on revenue recognition, superseding IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

- New standard, *IFRS 9, Financial instruments*

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the requirement to recognize changes resulting from credit risk for liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

(ii) Effective for annual periods beginning on or after January 1, 2019:

- New standard, *IFRS 16, Leases*

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.

There are additional new and amended accounting standards that have not been described herein as they are not expected to have a material impact on the Company.

## 1.14 Financial Instruments and Other Instruments

The following table summarizes the Company's types of financial instruments and their carrying amounts:

(\$ in thousands)	December 31, 2016		December 31, 2015	
<b>Financial assets</b>				
Loans and receivables				
Cash and cash equivalents	\$	42,896	\$	56,671
Restricted cash and cash equivalents		-		13,465
Other current assets		2,800		1,824
Restricted investments		6,727		6,945
	\$	52,423	\$	78,905
FVTPL financial assets				
Foreign exchange forward contracts	\$	-	\$	2,408
Available-for-sale financial assets				
Bonds	\$	612	\$	5,608
Receivable from Tecpetrol		5,736		7,644 <sup>(1)</sup>
	\$	6,348	\$	13,252
<b>Financial liabilities</b>				
FVTPL financial liabilities				
Acquisition costs payable	\$	5,897	\$	3,448
Other financial liabilities				
Accounts payable and accrued liabilities	\$	2,140	\$	3,024
Payable to Peruvian Group		4,739		-
Other current liabilities		-		7,242
	\$	6,879	\$	10,266

Note:

(1) Includes current and non-current portion. See note 7 of the December 31, 2016 annual consolidated financial statements for further information.

The fair value of cash and cash equivalents, restricted cash and cash equivalents, various receivables included in other current assets, restricted investments, accounts payable and accrued liabilities, and various liabilities included in other current liabilities approximate their carrying values.

The fair value of the Payable to the Peruvian Group has increased to approximately \$5.2 million at December 31, 2016 as a result of a decline 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 acquisition costs payable is its carrying value. The fair value of this instruments was determined using a discounted cash flow method.

The fair value of the bonds, the receivable from Tecpetrol, and the foreign exchange forward contracts are their carrying values. The fair value of these financial instruments was determined based on quoted market prices at the statement of financial position date.

Income, expenses, gains and losses associated with financial instruments are generally reported under other income (expense) in the consolidated statement of income (loss). Unrealized gains and losses on available-for-sale financial instruments are reported as other comprehensive income (loss).

The Company's financial instruments are exposed to certain risks, including currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk. Except as disclosed below, the Company's exposure to these risks and its methods of managing the risks remain consistent.

#### Currency Risk

The Company is exposed to financial risk related to fluctuations in foreign exchange rates.

The Company's consolidated financial statements are presented in Canadian dollars. The functional currency of GrowMax Resources' head office operations is the Canadian dollar. The functional currency of GrowMax Agri Corp. and APPSA is the U.S. dollar. The functional currency of Energicon and Petrogas Argentina, prior to their disposals, was the Argentine Peso. Because the Company is publicly listed on a Canadian stock exchange, it has chosen to present its financial statements in Canadian dollars.

Although the Company's head office operation has a Canadian dollar functional currency, the operation incurs some expenditures in U.S. dollars and makes significant investments in U.S. dollars. Conversely, GrowMax Agri Corp. has a U.S. dollar functional currency but incurs some expenditures in Canadian dollars. Accordingly, the Company is exposed to foreign exchange risks pertaining to the Canadian dollar - U.S. dollar exchange rate. APPSA incurs expenditures in U.S. dollars and Peruvian Soles.

As a result of the sale of Energicon in 2016 and the sale of Petrogas Argentina in 2015, the Company is no longer exposed to foreign exchange risks pertaining to the Argentine Peso – U.S. dollar exchange rate.

During the second half of 2015, the Company began entering into Canadian dollar – U.S. dollar foreign exchange forward contracts – see note 19(d)(i) of the Company's December 31, 2016 annual consolidated financial statements for further information. The Company did not hold any foreign exchange forward contracts at December 31, 2016 and the Company has not entered into any foreign exchange forward contracts so far in 2017.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. When investments are made, the Company aims to stagger the maturity dates over different time periods to minimize exposure to interest rate changes. The Company's available-for-sale financial assets (see note 7 of the December 31, 2016 annual consolidated financial statements for further information) and acquisition costs payable (see note 13 of the December 31, 2016 annual consolidated financial statements for further information) expose the Company to some interest rate risk. The Company monitors its exposure to interest rates but has not entered into any derivative financial instruments to manage this risk.

#### Commodity Price Risk

As a result of the sale of Petrogas Argentina in 2015 (see note 23 of the December 31, 2016 annual consolidated financial statements for further information), the Company sold substantially all of its producing assets. Accordingly, the Company has limited exposure to commodity price risk in the near term. However, commodity prices can significantly affect the economics and feasibility of future projects. Commodity prices also impact the carrying value of the Acquisition costs payable liability (see note 13 of the December 31, 2016 annual consolidated financial statements for further information).

#### Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation. Credit risk arises from the Company's financial assets. The carrying value of the financial assets represents the maximum exposure to credit risk. The Company's exposure to credit risk is considered to be low-moderate, given the size and nature of the various counterparties involved and their history of performance. To the best of the Company's knowledge, none of the counterparties are at any significant risk of failure.

The Company's restricted investments at December 31, 2016 and 2015 are held with a financial institution in Peru that was assigned a long-term issuer default rating of BBB- (Fitch Ratings).

The vast majority of the Company's receivable from Tecpetrol at December 31, 2016 has already been collected in 2017.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its holdings of cash and cash equivalents.

To date, the Company has relied on cash flows from operations, equity and debt financing, sale of assets, and farm-outs to fund its operations and capital expenditures. On August 28, 2015 the Company sold its main revenue-producing property – see note 23 of the December 31, 2016 annual consolidated financial statements for further information.

For additional information, see section “1.6 Liquidity”.

## 1.15 Other MD&A Information not disclosed elsewhere and Advisories

### Disclosure of Outstanding Share Data

As of April 17, 2017, the Company has the following securities outstanding:

<u>Description of Security</u>	<u>Number of Securities Outstanding</u>	<u>Additional Comments</u>
Common Shares	213,925,645	This number of common shares outstanding as of April 17, 2017 is net of 2,000,000 Common Shares repurchased and cancelled by the Company pursuant to the NCIB.
Stock Options	8,345,000	Exercisable at prices ranging from \$0.20 to \$1.88 and which expire between May 2018 and April 2022.
Warrants	9,583,333	Exercisable at a price of \$1.125 and expire on June 10, 2017.
Warrants	2,000,000	Exercisable at a price of \$0.25 provided that 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. Expire on November 23, 2018.

### Business Risk Factors

The risks associated with the Company’s business and operations and generally with its industry segment are set out below. These risks and uncertainties below are not exhaustive and are not the only risk factors affecting the business and affairs of the Company. There are additional risks and uncertainties of which the Company is not presently aware or that the Company currently considers immaterial but which may also impair the Company’s business operations and cause the price of its Common Shares to decline. If any of the following risks actually occur, the Company’s business may be materially harmed and the Company’s financial condition and results of operations may suffer significantly. In that event, the market price of the Company’s Common Shares could decline.

#### *Exploration, Development and Production Risks*

Exploration and development of minerals are highly speculative and involve a significant degree of risk. There is no certainty that exploration of the properties in which GrowMax Resources holds rights will lead to a discovery of reserves or, if there is a discovery of reserves, that GrowMax Resources will be able to realize the reserves. If at any time GrowMax Resources is unable to or prevented from pursuing its exploration or development programs, or such programs are otherwise discontinued, GrowMax Resources’ business, financial condition and results of operations could be materially and adversely affected.

Exploration and development activities may be delayed or adversely affected by factors outside the control of GrowMax Resources. These include adverse climatic and geographical conditions, local community disputes, labour disputes, surface rights disputes, the actions of joint venture or farm-in partners, delays in obtaining governmental permits, shortage or delays in installing and commissioning plant and equipment or import/customs delays.

Mining operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of GrowMax Resources depends on its ability to find, acquire, develop and commercially produce reserves. A future increase in the Company’s reserves will depend on the Company’s ability to explore and develop its existing properties and/or on the Company’s ability to select and acquire new or additional producing properties or prospects. No assurance can be given that GrowMax Resources will be able to locate other satisfactory properties for acquisition or participation on economically favourable terms or at all or that reserves will be established from existing properties. Moreover, if such acquisitions or participations are identified, management of GrowMax Resources may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of minerals will be discovered or acquired by GrowMax Resources.

## *Weather and Climate*

Physical effects of weather, climate change, and climate change legislation, could have a negative effect on the Company's operations and results of operations. The potential physical effects of climate change could have an adverse effect on the Company and the Company's customers. These effects could include changes in weather patterns (including drought and rainfall levels), water availability, storm patterns and intensities, flooding, land use and water management patterns, and temperature levels. In addition, legislators and regulators regularly consider ways to reduce greenhouse gas emissions in an effort to mitigate climate change. Any new rules could have a significant impact on the Company's operations and products and could result in substantial additional costs for the Company.

Major weather events such as heavy rainfall can result in water inflows into the Company's property and the surrounding area, where regional service providers, employees, transportation, transmission and communication infrastructure could be impacted. If the Company experiences water inflows into the Company's property, the Company's employees could be injured and the Company's ability to construct mines, evaporation ponds and associated facilities could be seriously affected. The Company could be forced to shut down the affected exploration, development or production operations temporarily, potentially resulting in significant production delays, and spending substantial funds to repair or replace damaged ponds or equipment. Inflows may also destabilize the ponds and equipment, resulting in safety hazards for employees and potentially leading to the abandonment of operations.

Weather conditions could negatively impact production from ponds and related facilities. For example, heavy rainfall in certain months, just after the evaporation season ends, could reduce the amount of potash the Company is able to produce. Similarly, lower-than-average temperatures or higher-than average seasonal rainfall would reduce evaporation rates and therefore impact production. The potential effects of climate change may increase the possibility of adverse weather conditions. If the Company experiences heavy rainfall or low evaporation rates, the Company would have less product available for sale, and the Company's sales and results of operations could be adversely affected.

GrowMax Resources is monitoring the impact of recent heavy rains and associated flooding that has occurred in recent months in the coastal areas of Peru, including the Piura region, where the Company's Bayovar Property is located, and in Lima, where the Company has an office with professional staff.

As it relates directly to the Company's operations, the Company is monitoring the level of flooding on the Bayovar Property and is assessing its impact on the Company.

The Company's primary concern and focus at this time is for the health and safety of its personnel. The Company is equally concerned for the people and communities in Peru that have been most heavily impacted. The Company's staff has been working to assist with taking emergency provisions and assistance to local communities in the area surrounding the Bayovar Property, within the framework of the Company's existing community relations programs.

## *Title to Properties*

Title to mineral interests is often incapable of conclusive determination, without incurring substantial expense and without obtaining government approval. No assurance can be given that title defects do not exist. If a title defect does exist, it is possible that GrowMax Resources may lose all or a portion of its participating interest in properties to which the title defect relates without compensation.

## *Non-Fulfillment of Commitments*

As a result of the execution of the Transfer Agreement, the Company has commitments/obligations related to its potash project. The Company has applied to the applicable Peruvian agency for an extension and modification of its commitments/obligations under the Transfer Agreement. There is no assurance that the extension or modification will be approved. GrowMax Resources could be required to write down the investment in its properties, should the extension or modification not be approved, and the write down could be material.

The Company's restricted investments balance at December 31, 2016 and 2015 relates to a US\$5.0 million performance bond posted for commitments in Peru. The performance bond was required to be posted upon execution of the Transfer Agreement. 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.

## *Agreements, Permits and Licenses*

The operations of the Company require agreements, licenses and permits from various governmental authorities and holders of surface rights. The Company currently has several agreements, licenses and permits that allow it to conduct

exploration operations. The future operations of the Company will require additional agreements, licenses and permits from various governmental authorities and holders of surface rights, and there can be no assurance that the Company will be able to obtain or maintain all such additional agreements, licenses and permits. In addition, there can be no assurance that any existing agreements, licenses and permits will be renewable if and when required or that such existing agreements, licenses and permits will not be revoked.

#### *Uncertainty of Resource/Reserve Estimates*

The mineral resource estimates in respect of the Company's potash and phosphates projects, while prepared in accordance with NI 43-101, are based on limited information acquired through drilling and related activities. The Company's Preliminary Economic Assessment for Phosphates on Bayovar 7 Concession incorporates information from the mineral resource estimates.

There can be no assurance that the anticipated volumes and grades will be achieved or that the indicated level of recovery will be realized. The volume and grades actually recovered may differ materially and adversely from the estimates. Future production could differ dramatically from resource estimates for, among others, the following reasons:

- formations could be different from those predicted by drilling, pump testing, analysis and similar examinations;
- increases in operating costs and processing costs could adversely affect resource estimates;
- the grade and volume of the brine, and the rate of evaporation could vary significantly from time to time;
- the grade and volume of the phosphate resources could vary significantly from one area of the concession to another; or
- declines in the market price of potash and phosphates may render the resources uneconomic.

Any of these factors may require the Company to reduce its resource estimate and/or increase its costs. Should the market price of potash and/or phosphates fall, GrowMax Resources could be required to materially write down its investment in its properties or delay or discontinue exploration, production, or development of its projects.

#### *Economic, Political and Legal Risk*

GrowMax Resources' properties are located in Peru, a country that has, in the past, experienced both political and social unrest, changes in government (federal and provincial) and changes in government policy regarding, among other things, commodity pricing, rights to concessions/land, production, export controls, environmental legislation, land use, water use, workplace safety, monetary policy, foreign exchange and taxation. Changing political aspects may affect the regulatory environments in which the Company operates and no assurances can be given that the Company's plans and operations will not be adversely affected by future developments. The Company's property interests and exploration activities in emerging nations are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations.

Peru's history since the mid-1980s has been one of political and economic instability under both democratically elected and dictatorial governments. These governments have frequently intervened in the national economy and social structure, including periodically imposing various controls, the effects of which have been to restrict the ability of both domestic and foreign companies to freely operate. Peru's recent political and fiscal regimes were generally favourable to the mining industry and have been relatively stable over the past ten years or so. However, there is a risk that this will change.

In addition, labour in Peru is customarily unionized and there are risks that labour unrest or wage agreements may adversely impact the Company's operations. These and other uncertainties associated with the Company's mineral property interests being located in a developing country may make it more difficult for the Company and any future joint venture partners to obtain any required financing for exploration and development of mineral projects in Peru.

#### *Foreign Currency Risk*

GrowMax Resources operates in different countries and enters into transactions in different currencies. In particular, GrowMax Resources currently conducts business in Peruvian Soles, U.S. dollars and Canadian dollars. The Company holds cash and investments in these various currencies and often converts its holdings into other currencies. Accordingly, the Company is exposed to foreign currency risks due to fluctuations in exchange rates. See section "1.14 Financial Instruments and Other Instruments" for additional information.

### *Market Risk*

In the event of a successful discovery and development of mineral reserves, the marketing of GrowMax Resources' prospective production of minerals from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to ports and shipping facilities, at economic tariff rates over which GrowMax Resources may have limited or no control.

### *Reliance on Strategic Relationships*

In conducting its business, GrowMax Resources will rely on continuing existing strategic relationships and forming new ones with other entities in the mining industry, such as joint venture parties/partners, farm-out and farm-in partners, nearby communities, and also certain regulatory and governmental departments. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and GrowMax Resources could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

### *Competition*

A number of other companies operate, and are allowed to bid for exploration and production licences and other services, in the countries in which GrowMax Resources operates, thereby providing competition to GrowMax Resources. Larger, foreign-owned companies, in particular, may have access to greater resources than GrowMax Resources and may be more successful in the recruitment and retention of qualified employees.

### *Results to Date and Additional Requirement for Capital*

GrowMax Resources has a relatively short history and has incurred significant losses to date and, due to the nature of its business, there can be no assurance that GrowMax Resources will be profitable in the future. GrowMax Resources has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. GrowMax Resources will need to raise additional capital in the future to fund the expected capital requirements on the properties and will need to raise additional capital to fully explore and develop its properties beyond the minimum commitments. The future of GrowMax Resources is dependent upon its ability to raise the required funding in the form of equity, debt, joint ventures, farm-outs or a combination thereof. GrowMax Resources has limited debt capacity and therefore its exploration activities are expected to be financed primarily through equity or third party joint ventures, though some debt may be obtained. There is no assurance that additional financing will be available and, if available, on terms acceptable to GrowMax Resources. Failure to obtain additional financing on a timely basis could cause GrowMax Resources to forfeit its interest in some or all of the properties and reduce or terminate its operations. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. See section "1.6 Liquidity" for additional information.

### *Substantial Capital Requirements*

The Company anticipates making substantial capital expenditures for exploration, development and production activities in the future. As future capital expenditures will be financed out of possible cash generated from operations, possible borrowings and possible future equity sales, the Company's ability to make capital expenditures is dependent on, among other factors: (i) the overall state of the capital markets; (ii) interest rates; (iii) the Company's ability to obtain debt financing; (iv) royalty rates; (v) inflation risks related to the Peruvian Sol; (vi) tax burden due to current and future tax laws; and (vii) investor appetite for investments in the mining industry in Peru and the Company's securities in particular. Further, if the Company's resources decline, it may not have access to the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

### *Government and Environmental Regulation*

Any exploration, development or other mining operations carried on by GrowMax Resources are subject to government legislation, policies and controls relating to, among other things, prospecting, development, production, environmental protection, community relations, mining taxes and labour standards. As indicated above, the Company requires licenses and permits from a variety of governmental authorities. The Company cannot predict the extent to which future legislation and regulation in Peru or any other country could cause additional expense, capital expenditures, restrictions, and delays in the development of its properties.

As GrowMax Resources is involved in exploration and development, it is subject to extensive environmental and safety legislation and this legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from extraction activities which may be costly to remedy. The extent of potential liability, if any, for the costs of abatement of environmental hazards cannot be accurately determined and, consequently, no assurances can be given that the costs of implementing environmental measures or meeting any liabilities in the future will not be material to GrowMax Resources or will not affect its business or operations.

See also “Economic, Political and Legal Risk”, above.

#### *Prices*

The marketability and price of potash and phosphates is subject to numerous factors beyond GrowMax Resources’ control, including international supply and demand, world economic conditions, global economic developments and political developments. Potash and phosphates prices have been volatile in the past. This volatility is expected to continue. As well, future pricing restrictions or more onerous royalties or duties could be imposed in Peru in the future.

A material decline in the prices of GrowMax Resources’ intended products would have a materially adverse effect on GrowMax Resources’ business, financial condition, and results of operations.

#### *Dependence on Key Personnel*

GrowMax Resources has a small management team and the loss of a key individual or its inability to attract suitably qualified personnel in the future could materially and adversely affect GrowMax Resources’ business. GrowMax Resources may be particularly vulnerable to the loss of its key employees, officers and directors for which no insurance can or has been obtained. Difficulties may also be experienced in certain jurisdictions in employing and retaining qualified personnel who are willing to work in such jurisdictions.

#### *Share Price Volatility*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration and development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual severe fluctuations in price will not occur.

#### *Inability to Obtain Necessary Equipment and Services*

Mining exploration and development activities are dependent upon the availability of drilling and related equipment. In the areas in which the Company operates, there can be significant demand for drilling and other related equipment and services. The unavailability and high costs of such services and equipment could result in a delay or restriction in the Company’s projects, and therefore have a material adverse effect on the Company’s operating results, financial condition and prospects.

#### *Reliance on Third Party Contractors and Partners*

The Company is dependent on third party contractors in certain aspects of its operations. The Company seeks to build relations with contractors that are reputable, cost-oriented, safety-conscious and dependable and who have demonstrated their ability to perform work diligently, on budget and on time. The Company can give no assurance, however, that contractors will complete their work or activities in accordance with internationally acceptable standards, or at all, and any failure to do so may result in the delay of projects, increased costs, risks of damage to persons or property and other consequences that may adversely affect the Company’s operating results, financial condition and prospects.

The Company’s operations must be carried out in accordance with the terms of its agreements and licences. Failure to comply with such requirements and obligations may expose the Company to fines, the suspension or termination of an agreement or a licence, claims and other losses, which could have a material adverse effect on the Company’s operating results, financial condition and prospects.

### *Conflicts of Interest*

Certain directors and officers are directors and/or officers of other mineral exploration companies and as such may, in certain circumstances, have a conflict of interest. The resolution of any such conflict will be subject to and governed by procedures prescribed by the Company's governing corporate law statute which requires a director of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under such legislation.

### *Management of Growth*

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

### *Inflation Risk*

Though Peru has experienced relatively modest rates of inflation in the recent past, there can be no assurance that any governmental action will be taken to control inflationary or deflationary situations or that any such action will be effective. Future governmental action may trigger inflationary or deflationary cycles or otherwise contribute to economic uncertainty. Additionally, changes in inflation or deflation rates and governmental actions taken in response to such changes may affect currency values. Any such events or changes could have a material adverse effect on the Company's results of operations and financial condition.

### *Future Sales of Common Shares by the Company*

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company or negatively affect the market price of the Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of the preferred shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Company on the exercise of stock options under the Company's stock option plan, or pursuant to other share compensation arrangements.

### *Reliance on attracting and retaining qualified personnel*

The Company may have difficulty attracting and retaining qualified local personnel to work on its projects due to shortages of qualified workers and intense competition for their services and it may also be difficult to attract, employ and retain qualified expatriate workers. In the event of a labour shortage, the Company could be forced to increase wages in order to attract and retain employees, which would result in higher operating costs and reduced profitability. A failure by the Company to attract and retain a sufficient number of qualified workers could have a material adverse effect on the Company's operating results, financial condition and prospects.

### *Third Party Credit Risk*

The Company is exposed to third party credit risk through its contractual arrangements with various parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow. See section "1.14 Financial Instruments and Other Instruments" for additional information.

### *Uninsured or Uninsurable Risks*

In the course of exploration, development and production, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and GrowMax Resources may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the Common Shares.

As of the date of this document, GrowMax Resources is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Without such insurance, and if GrowMax Resources becomes subject to environmental liabilities, the payment of such liabilities would

reduce or eliminate its available funds or could exceed the funds available to the Company to pay such liabilities and result in bankruptcy. Should the Company be unable to fully fund the remedial cost of an environmental problem that arises, it might be required to enter into interim compliance measures pending completion of the required remedy.

#### *Forward Looking Information may Prove Inaccurate*

Investors are cautioned not to place undue reliance on forward looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See below for further information on forward looking information.

#### Internal Controls and Disclosure Controls over Financial Reporting

Since the Company is a Venture Issuer, it is required to file basic certificates, which it has done for the year ended December 31, 2016. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as at December 31, 2016.

#### Additional Information

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Glossary of Terms

In this Management's Discussion and Analysis, the following terms have the meanings ascribed to them, unless the context otherwise requires:

<b>"APPSA"</b>	means Americas Potash Peru S.A., a body corporate under the laws of Peru and a wholly owned subsidiary of GrowMax Agri Corp.;
<b>"Argentina"</b>	means the Argentine Republic;
<b>"Bayovar Agreement"</b>	means the transfer option agreement dated September 30, 2008 between APPSA and Activos Mineros S.A.C. of the government of Peru granting a four year option to acquire mining leases in the Bayovar Property and which was extended to early 2014;
<b>"Bayovar Property"</b>	means Bayovar mineral concessions Ramon (Licence Bayovar #5 and #6) and Zapayal (Licence Bayovar #7 and #8) in the Sechura area, Piura province, Peru in which APPSA holds a 100% participating interest;
<b>"Board of Directors" or "Board"</b>	means the duly elected board of directors of the Company;
<b>"Common Shares"</b>	means the common shares in the share capital of the Company;
<b>"Company" or "GrowMax Resources"</b>	means GrowMax Resources Corp. (formerly Americas Petrogas Inc.), a corporation existing under the laws of Alberta and, unless the context otherwise requires, includes the wholly owned or controlled subsidiaries of the Company;
<b>"Energicon"</b>	means Energicon S.A., a body corporate under the laws of Argentina and a wholly owned subsidiary of GrowMax Resources up to November 2016;
<b>"EOA"</b>	means Energy Operations Argentina LLC;
<b>"Golder"</b>	means Golder Associates;
<b>"IASB"</b>	means the International Accounting Standards Board;
<b>"IFFCO"</b>	means Indian Farmers Fertiliser Co-operative, a co-operative under the laws of India and a shareholder of GrowMax Agri Corp. IFFCO is the parent company of Kisan;
<b>"IFRS"</b>	means International Financial Reporting Standards as issued by the IASB;
<b>"Kisan"</b>	means Kisan International Trading FZE, a body corporate registered under the Jebel Ali Free Zone Authority, United Arab Emirates, and a shareholder of GrowMax Resources and GrowMax Agri Corp.;
<b>"MD&amp;A"</b>	means management's discussion & analysis";
<b>"NI 43-101"</b>	means National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> ;

<b>“NCIB”</b>	means Normal Course Issuer Bid;
<b>“PEA”</b>	means Preliminary Economic Assessment;
<b>“Petrogas Argentina”</b>	means Americas Petrogas Argentina S.A. a body corporate under the laws of Argentina and a wholly-owned subsidiary of GrowMax Resources up to August 2015;
<b>“Peru”</b>	means the Republic of Peru;
<b>“Peruvian Group”</b>	means the Peruvian party that owned the remaining 30% participating interest in the Bayovar Property prior to January 25, 2016;
<b>“ProInversion”</b>	means the Agency for Promotion of Private Investment of the government of Peru;
<b>“SEDAR”</b>	means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;
<b>“Tecpetrol”</b>	means Tecpetrol International S.A. and/or Tecpetrol Internacional S.L. (Unipersonal);
<b>“Transfer Agreement”</b>	means the transfer agreement executed by the Peruvian state-owned company Activos Mineros S.A.C. and the Executive Director of ProInversion, dated May 16, 2014, granting the Bayovar Property to APPSA;
<b>“TSX-V”</b>	means the TSX Venture Exchange; and
<b>“VAT”</b>	means Value-added tax.

## **Advisories**

### Forward Looking Information

This MD&A and certain documents incorporated by reference into this MD&A contain forward-looking information including, but not limited to, the Company's goals, growth strategy, objectives, strategic plan and business plan; targeted capital spending; work programs and budget; the results of an SOP Study, including estimated costs and production levels; mineral resource estimates; advancing the Bayovar phosphate project and developing plans for early cash flow; the results of a PEA; testing of Carnallite/Kainite samples; cash receivable from the sale of Energicon; completion of market studies for domestic and regional sales of different potential fertilizers and Sodium Chloride and timing thereof; construction of a fertilizer plant; potential development of SOP; the potential for phosphate resources; the application and expected approval (including timing thereof) for an extension and modification of the Company's original production and investment obligations/commitments under the Transfer Agreement; the completion of detailed engineering designs and development plans; progression of social, environmental and permitting requirements and timing thereof; the execution of sales, marketing and transportation agreements; the construction of solar evaporation ponds and timing thereof; construction of the SOP processing plant and timing thereof; construction of and production from pilot ponds/mines and timing thereof; completion of engineering designs for a small-scale pilot mine on the Bayovar 7 block and production therefrom; progressing and optimizing the concept of a large-scale mine; completion of a feasibility study and timing thereof; concession extension/renewal; commitments and costs; exploration and development efforts, drilling results and activities on the Bayovar Property; plans for commercial production on the Bayovar Property; timing, results and finding of reports, economic assessments and studies on the Bayovar Property; expected future production, exploration and development activities in respect of the projects in Peru; commitments related to the Company's activities in Peru; the potential for phosphates, potash, and other minerals in respect of the Bayovar Property; future drilling plans in Peru; costs and revenues in respect of the Bayovar Property; future potash and phosphate pricing; expectations regarding the Company's ability to fund all of its commitments/contractual agreements and other discretionary future capital costs; and the availability of additional funding (including equity financing, and farmout agreements).

Forward-looking information is not based on historical facts but rather is based on management's expectations regarding the Company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities and expectations with respect to general economic and capital market conditions. Such forward-looking information reflects management's current beliefs and assumptions and is based on information currently available to GrowMax Resources' management. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including but not limited to, risks associated with the natural resources industry (e.g. operational risks in development, exploration and production, delays or changes to plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource and reserve estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections in relation to production costs and expenses and health, safety and environment risks), the risk of commodity price and foreign exchange rate fluctuations;

climate risk; the uncertainty associated with negotiating and dealing with foreign governments and third parties located in foreign jurisdictions; general market risks; title risks; expropriation risks; risks arising from dependence on key personnel; uninsurable risks; risks arising from the inability to obtain necessary equipment and services; risks arising from reliance on third party contractors and partners; third party credit risk; risks arising from managing the growth of the Company; inflation risks; dilution risks; risks associated with obtaining extension requests; risks associated with obtaining and retaining qualified personnel and the risk associated with international activity.

There can be no assurance that the Company will obtain licenses, concessions, extensions or other approvals when needed, or at all, and that further exploration of the Company's Peruvian property will lead to commercial discoveries or, if there are commercial discoveries, that the Company will be able to secure the necessary regulatory approvals to commercially exploit such resources as intended. Few mineral properties that are explored are ultimately developed into new mineral reserves or resources. Readers are cautioned that the presence of potash and/or phosphates in samples is not necessarily indicative that potash and/or phosphates are capable of being successfully produced in commercial quantities. There is no assurance reserves will be assigned for potash and/or phosphates. There is no assurance that future trenches will be dug or that future wells will be drilled on the Bayovar Property or that if dug/drilled, will be successful. Cash flow from operations is dependent on future production levels, commodity prices, foreign exchange rates, and government restrictions. Additional risks and uncertainties associated with the Company's future plans are described elsewhere in this MD&A. Although the forward-looking information contained herein is based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with this forward-looking information.

Information regarding the reports, studies, reserve and resource estimates attributable to the Company's mineral resource properties should be considered forward-looking statements. In particular, the presence of potash and/or phosphates in samples is not necessarily indicative that potash and/or phosphates are capable of being successfully produced in commercial quantities or at all. There is no assurance reserves will be assigned to such potash-bearing and/or phosphate-bearing formations. There is no assurance that future wells will be drilled on the Bayovar Property or that if drilled, will be successful. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

**The forward-looking statements contained in this MD&A and in the documents incorporated by reference herein are expressly qualified by this cautionary statement.** This forward-looking information is made as of the date hereof and the Company assumes no obligation to update or revise this information to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward-looking information, prospective investors in the Company's securities should not place undue reliance on this forward-looking information.

#### Additional GAAP Measures

##### *Net revenue*

The term "net revenue" is an additional GAAP measure because it is presented in the notes to the December 31, 2016 condensed interim consolidated financial statements. Net revenue is crude oil sales less royalties. The Company uses "net revenue" as an indicator of operating performance.

#### Non-GAAP Financial Measure

The Company uses and reports a measurement in the evaluation of its operating performance, financial performance, and financial position that does not have any standardized meaning prescribed by IFRS, referred to as a "Non-GAAP Financial Measure." It is unlikely for Non-GAAP Financial Measures to be comparable to similar measures presented by other companies.

##### *Working Capital*

The Company uses "working capital" to assess liquidity and general financial strength. Working capital is calculated as current assets less current liabilities. Working capital should not be considered an alternative to, or more meaningful than current assets or current liabilities as determined in accordance with IFRS. See section "1.2 Overall Performance – Working capital" for further information on the calculation of this measure.