

**GROWMAX RESOURCES CORP.**  
**INTERIM MD&A – QUARTERLY HIGHLIGHTS**  
**SEPTEMBER 30, 2019**

## **1.0 INTRODUCTION AND OVERVIEW**

This interim management's discussion and analysis – quarterly highlights (“MD&A”) for GrowMax Resources Corp. (TSXV:GRO), a publicly listed Canadian company with its corporate head office located in Vancouver, BC, should be read in conjunction with the Company's condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2019 and the Company's annual MD&A and audited annual consolidated financial statements as at and for the year ended December 31, 2018. Except as otherwise indicated or where the context so requires, references to “GrowMax” or the “Company” include GrowMax Resources Corp. and its subsidiaries. The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

This MD&A is based on information available up to November 29, 2019, the date on which it was approved by the Board of Directors. All dollar figures stated herein are expressed in Canadian dollars (\$) or Cdn\$), unless otherwise specified.

See section “5.0: GLOSSARY OF TERMS” for a listing of defined terms used in this document and section “7.0: NON-GAAP FINANCIAL MEASURES” for information on non-GAAP financial measures and section “3.0: OVERALL PERFORMANCE” for further information on the calculation of working capital.

This MD&A contains forward-looking information. See section “6.0: FORWARD LOOKING INFORMATION” for a discussion of the risks, uncertainties and assumptions relating to forward looking information.

## **2.0 KEY ITEMS AND RECENT ACTIVITIES**

### **Corporate**

On March 8, 2019, the Company held its annual and special meeting of shareholders (the “Meeting”), in which Kulwant Malhi, Alfred Wong, Michael Sadhra and Pratap Reddy were appointed to the Board of Directors (the “New Board”) replacing Ron Ho, Rakesh Kapur, Carlos Lau, Ross McCutcheon and Steven Paxton, the five incumbent members of the Company's previous Board who did not stand for re-election. The sixth member of the Company's previous Board, John Van Brunt, resigned three days before the Meeting.

On March 28, 2019, the Company announced the termination of Stephen Keith as Chief Executive Officer and the appointment of Kulwant Malhi, Chairman of the New Board, as the new Chief Executive Officer, effective immediately. Alfred Wong, a member of the New Board, was appointed to the position of President.

On September 6, 2019, the Company announced that Alfred Wong resigned as director and President of the Company.

### **Return of Capital**

On August 16, 2019, the Company announced that it declared a return of capital in the amount of \$0.03 per common share of GrowMax to shareholders of record as of close of business on August 26, 2019. A total amount of \$6.4 million was paid in cash as a return on capital on September 5, 2019.

### **Proposed Change of Business**

After a thorough review of the Company's resources and strategic options, and given the expertise and skill sets of the Company's management and directors, the GrowMax Board has determined that the optimal allocation of the Company's working capital would be within the framework of an investment company. As a result, on August 27, 2019, the Company announced a proposed change of business from mineral exploration to an investment issuer (the “Proposed COB”) under the policies of the TSX Venture Exchange (the “TSXV”). The shareholders of the Company approved the Proposed COB at its annual general and special meeting held on August 7, 2019.

The Company expects to become a Tier 1 Investment Issuer, subject to meeting the initial listing requirements of the TSXV and obtaining all regulatory approvals, including approval of the TSXV.

Trading in the common shares of the Company has been halted and will remain halted pending review of the Proposed COB by the TSXV. Pursuant to the policies of the TSXV, sponsorship is required for the Proposed COB and the Company intends to apply to TSXV for a waiver from the sponsorship requirement.

In connection with the Proposed COB, the Company has adopted an investment policy (the “Investment Policy”) to govern its investment activities and investment strategy. A copy of the Investment Policy was attached to the Company’s management information circular dated July 2, 2019. A description of the Investment Policy follows.

### **Investment Strategy**

The Company may invest in equity, debt and convertible securities, which the Company intends will be acquired and held both for long-term capital appreciation and shorter-term gains. The Company will try to identify companies that have potential, strong management teams and/or are involved with a segment of the market that is consistent with or otherwise complimentary to the Company’s macro position. A key aspect of the Company’s investment strategy will be seeking undervalued companies backed by strong management teams and solid business models that can benefit from macro-economic trends.

The Company will invest in concentrated, long-term positions in public companies. The Company may invest in securities of issuers in special situations, including event-driven situations such as assuming a controlling or joint-controlling interest in an invested company, which may also involve the provision of advice to management and/or board participation.

The Company’s investment strategy will also include structuring and initiating deals focused on particular resources, themes, or regions as well as launching the development of businesses in select industries by providing assistance with the hiring of management teams, providing seed capital and facilitating the transition of such private companies to the public market.

### **Implementation**

Prospective investments will be channeled through the Investment Committee.

Once a decision has been reached to invest in a particular situation, a short summary of the rationale behind the investment decision will be prepared by the Investment Committee and submitted to the Board. All investments shall be submitted to the Board for final approval. The Investment Committee will select all investments for submission to the Board and monitor the Company’s investment portfolio on an ongoing basis, and will be subject to the direction of the Board.

### **Investment Evaluation Process**

In selecting securities for the investment portfolio of the Company, the Investment Committee will consider various factors in relation to any particular issuer, including:

- inherent value of its assets;
- proven management, clearly-defined management objectives and strong technical and professional support;
- future capital requirements to develop the full potential of its business and the expected ability to raise the necessary capital;
- anticipated rate of return and the level of risk;
- financial performance; and
- exit strategies and criteria.

### **Conflicts of Interest**

The Company has no restrictions with respect to investing in companies or other entities in which a member of the Company’s management or Board may already have an interest or involvement. In the event that a conflict is determined to exist, the Company may only proceed after receiving approval from disinterested members of the Board. The Company is also subject to the “related party” transaction policies of the TSXV, which mandates disinterested shareholder approval for certain transactions.

### **Monitoring and Reporting**

The Company’s Chief Financial Officer shall be primarily responsible for the reporting process whereby the performance of each of the Company’s investments is monitored. Quarterly financial and other progress reports shall be gathered from each corporate entity, and these shall form the basis for a quarterly review of the Company’s investment portfolio by the Investment Committee. Any deviations from expectation will be investigated by the Investment Committee and, if deemed to be significant, reported to the Board.

A full report of the status and performance of the Company’s investments is to be prepared by the Investment Committee and presented to the Board at the end of each fiscal year.

## Amendment of Investment Policy

The Company's Investment Policy may be amended with approval from the Board.

### Litigation

On August 27, 2019, the Company announced that a claim has been made in the Alberta Court of Queen's Bench against the Company by Jorge Lau Yook ("Lau") for payments purportedly owing under a rights transfer agreement made between the Company, its Peruvian subsidiary and Lau. The claim is for US \$1.5 million in relation to a property payment.

The Company has filed both a statement of defense and a counter-claim. In its statement of defense, the Company denies any indebtedness to Lau. In its counter-claim, the Company seeks damages against Lau for money, assets and resources wrongfully taken, used or misappropriated and damages for loss of corporate opportunities.

### Cash and Working Capital

The following table summarizes the Company's cash and cash equivalents and working capital as at September 30, 2019 and December 31, 2018:

(\$ in thousands)	September 30, 2019	December 31, 2018
Cash and cash equivalents	17,176	32,473
Working capital <sup>(1)</sup>	22,640	32,636

Note:

(1) Working capital is calculated as current assets (September 30, 2019 - \$30,310; December 31, 2018 - \$41,780), less current liabilities (September 30, 2019 - \$7,670; December 31, 2018 - \$9,144).

See section "3.0: OVERALL PERFORMANCE" for information regarding the change in cash and cash equivalents and the change in working capital during the nine months ended September 30, 2019.

## FINANCIAL HIGHLIGHTS

### Summary of Quarterly Results

The following table sets forth selected financial data of the Company for each of the last eight completed financial quarters:

(\$ in thousands, except per share and share amounts) <sup>(1)</sup>	Sep 30-19	Jun 30-19	Mar 31-19	Dec 31-18	Sep 30-18	Jun 30-18	Mar 31-18	Dec 31-17
Cash	17,176	24,930	29,901	32,473	32,522	36,959	38,489	39,157
Exploration and evaluation assets <sup>(2)</sup>	Nil	Nil	Nil	Nil	53,613	53,890	51,519	48,684
Total assets	30,386	36,822	39,203	41,866	100,491	105,497	104,407	102,110
Total liabilities	7,670	8,899	9,859	9,144	3,954	3,750	4,204	3,764
Deficit	(237,064)	(238,159)	(236,883)	(233,370)	(183,399)	(178,478)	(178,327)	(178,265)
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss) from continuing operations attributable to Owners of the Company	1,095 <sup>(3)</sup>	(1,276)	(3,513) <sup>(3)</sup>	(49,971) <sup>(2)</sup>	(4,921)	(151)	314	(435)
Basic and diluted earnings (loss) per share from continuing operations attributable to Owners of the Company	0.01	(0.00)	(0.00)	(0.22)	(0.02)	(0.00)	(0.00)	(0.01)

Net income (loss) attributable to Owners of the Company	1,095	(1,276)	(3,513)	(481)	(4,921)	(151)	314	3,387
Basic and diluted earnings (loss) per share attributable to Owners of the Company	0.01	(0.01)	(0.02)	(0.26)	(0.02)	(0.00)	(0.00)	0.02
Net exploration and evaluation assets write off <sup>(2)</sup>	-	-	-	(54,201)	-	-	-	-
Net income (loss) from discontinued operations, net of income tax <sup>(2)</sup>	-	-	-	(3,387)	-	-	-	3,822

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 GAC and APPSA.
- (2) The net loss of \$49,371 for the quarter ended December 31, 2018, was mainly due to the write-off the Company's exploration and evaluation assets. For further information see "Exploration and evaluation assets" in section "3.0: OVERALL PERFORMANCE".
- (3) The net loss of \$3,513 for the quarter ended March 31, 2019, was mainly due to the payment of accounting and legal fees accrued as at December 31, 2018. The net income of \$1,095 for the quarter ended September 30, 2019, was mainly due to the reversal of the December 31, 2018 accruals.

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

(\$ in thousands)	Sep 30-19	Jun 30-19	Mar 31-19	Dec 31-18	Sep 30-18	Jun 30-18	Mar 31-18	Dec 31-17
General & administrative expense:								
Depreciation	(2)	(2)	(3)	(2)	(4)	(5)	(6)	(7)
Stock-based compensation expense	-	-	-	(10)	(13)	(9)	(17)	(42)
Other general and administrative <sup>(1)</sup>	582	(1,328)	(2,345)	(1,201)	(1,880)	(896)	(713)	(582)
Other income (expense) <sup>(2)</sup> :								
Interest income	88	160	86	245	169	170	160	67
Foreign exchange gain (loss)	381	(172)	(1,227)	1,789	(729)	911	1,157	341
Gain (loss) on sale of marketable securities	-	-	-	-	-	-	(36)	-
Gain (loss) on deferred payments (fair value through profit or loss financial instrument)	-	-	-	1,193	(432)	(142)	(319)	(186)
Income tax recovery (expense)	-	-	-	1,483	(131)	(206)	71	92

Notes:

- (1) See section "3.0: OVERALL PERFORMANCE" for information regarding the change in general and administrative expenses during the three and nine months ended September 30, 2019.
- (2) See section "3.0: OVERALL PERFORMANCE" for information regarding the change in gain (loss) on deferred payments resulting from fair value adjustments on the deferred payments liability during the nine months ended September 30, 2019.
- (3) Income tax recovery (expense) related to the changes in exploration and evaluation asset balances in 2017 and 2018. No income tax recovery (expense) was recorded in 2019 as a result of their write-off at December 31, 2018.

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.

Foreign exchange gain (loss) reflects the impact of changes in exchange rates on foreign denominated financial instruments.

Gain (loss) on deferred payments result from fair value adjustments on the deferred payments liability. The deferred payments liability is being carried at fair value. The fair value of the liability is updated each quarter to reflect changes (if any) in estimates, including discount rate, sales volumes, pricing assumptions, and passage of time.

### 3.0 OVERALL PERFORMANCE

#### Working capital

At September 30, 2019, the Company had a consolidated working capital position of \$22.6 million. The decrease in working capital from December 31, 2018 (\$32.6 million) can be attributed primarily to the following:

- \$3.1 million of general and administrative expenses (see “General and Administrative Expenses” section below for details);
- \$1.0 million of foreign exchange losses on U.S. dollar denominated financial instruments as a result of the weakening of the U.S. dollar relative to the Canadian dollar; and
- \$6.4 was paid to shareholders of the Company as return of capital.

Working capital is a Non-GAAP Financial Measure and is calculated as current assets (September 30, 2019 - \$30.3 million; December 31, 2018 - \$41.8 million), less current liabilities (September 30, 2019 - \$7.7 million; December 31, 2018 - \$9.1 million).

#### Cash and cash equivalents

##### Operating activities

During the nine months ended September 30, 2019, the Company used \$3.5 million (2018 – \$4.0 million), for operating activities (which includes changes in non-cash balance sheet operating items). The majority of outflow of cash for operating activities during the nine months ended September 30, 2019 is attributable to general and administrative expenses (see “General and Administrative Expenses” section below).

##### Investing activities

During the nine months ended September 30, 2019, the Company used \$4.7 million (2018 – \$3.7 million) for investing activities. The outflow of cash during the nine months ended September 30, 2019 for investing activities is attributable to purchase of equity investments (see “Equity Investments” section below).

##### Financing activities

During the nine months ended September 30, 2019 and 2018, the Company used \$6.4 (2018 – \$nil), for financing activities. The outflow of cash during the nine months ended September 30, 2019 for financing activities is attributable to the return of capital in the form cash to the Company’s shareholders (see “Return of Capital” section above).

#### Equity Investments

During the nine months ended September 30, 2019, the Company made the following acquisitions:

- (1) 5,500,000 units in the capital of Quality Green Inc. (“Quality Green”) at a cost of \$3,025. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase one additional common share at an exercise price of \$1.00 per common share for a full warrant for up to one year from the date of issue;
- (2) 1,250,000 shares in the capital of Sweet Earth Holdings Corporation (“Sweet Earth”) at a cost of \$250;
- (3) 240,000 units in the capital of Hempfusion, Inc. (“Hempfusion”) at a cost of \$386 (US\$300). Each unit consists of one common share and one-half (1/2) common share purchase warrant entitling the holder to purchase one additional common share at an exercise price of US\$7.00 per common share for a full warrant any time prior to the earlier of: (i) the date that is 36 months following the trading date (which has not yet been determined); and (ii) February 28, 2023 subject to adjustments in certain events; provided the exercise price shall also be adjusted based on the Hempfusion initial public offering (“Hempfusion IPO” price (which has not yet been determined) such that: (a) if the Hempfusion IPO price is US\$7.00 or greater, the exercise price shall be equal to the Hempfusion IPO price; and (b) if the Hempfusion IPO price is less than US\$7.00, the exercise price shall be equal to a 15% discount to the Hempfusion IPO price; and
- (4) 3,000,000 units in the capital of First Responder Technologies Inc. (“First Responder”) at a cost of \$1,050. Each unit consists of one common share and one-half (1/2) common share purchase warrant. Each full warrant entitles the

holder to purchase one additional common share at an exercise price of \$0.50 per common share for a full warrant for up to two years from the date of issue.

#### Quality Green

Quality Green is a licensed cultivator of marijuana in Ontario. The total fair value of the investment in Quality Green is estimated to be \$2,808 in accordance with Level 3 of the fair value hierarchy. The estimated fair value of \$243 of the Quality Green warrants, determined using the Black-Scholes valuation model, is included in total fair value of the investment in Quality Green.

The fair value of the derivative investments in warrants at acquisition was determined using the Black-Scholes option pricing model with the following inputs: expected dividend yield of 0%, expected volatility of 100%, risk free rate of return of 1.62%, expected life of 1 year, and a share price of \$0.47. As a result, the fair value of the warrants at acquisition was estimated to be \$460.

The fair value of the derivative investments in warrants at September 30, 2019 was determined using the Black-Scholes option pricing model with the following inputs: expected dividend yield of 0%, expected volatility of 100%, risk free rate of return of 1.50%, expected life of 0.6 years, and a share price of \$0.47. The fair value of the warrants at September 30, 2019 was estimated to be \$243 resulting in a fair value change of derivative investments of \$217 recorded in profit or loss.

#### Sweet Earth

Sweet Earth is a licensed cultivator of hemp. In addition to cultivation, Sweet Earth has full extraction capacity and equipment and a suite of proprietary hemp-based CBD products. The fair value of the investment in Sweet Earth is estimated to be \$250 in accordance with Level 3 of the fair value hierarchy.

#### Hempfusion

Hempfusion is engaged in the advancement of therapeutic benefits of industrial hemp. The fair value of the investment in Hempfusion is estimated to be \$386 in accordance with Level 3 of the fair value hierarchy.

#### First Responder

First Responder is a technology development company that commercializes academic and internally developed intellectual property for the purpose of developing new products for use in the public safety market. The principal business of the Company is the development of detection products and services for first responders to react effectively and efficiently in emergencies. The fair value of the investment in First Responder is estimated to be \$1,050 (in accordance with Level 3 of the fair value hierarchy). First Responder has two common directors with the Company.

The Investments in Quality Green, First Responder, Sweet Earth, and Hempfusion are in line with the Company's business focus on early stage investments in growth sectors and near term liquidity for the Company.

#### Restricted investments

The Company's restricted investments balance of \$6.6 million at September 30, 2019 (December 31, 2018 - \$6.8 million) relates to a US\$5.0 million performance bond posted for commitments related to the Bayovar Property. The performance bond was initially required to be posted upon execution of the transfer agreement for the Bayovar Property in May 2014. In October 2019, the Company redeemed its restricted investment related to the performance bond the proceeds of which will be mostly used to settle its commitments in Peru.

#### Other current assets

A breakdown of other current assets follows:

(\$ in thousands)	<b>September 30, 2019</b>	December 31, 2018
Loan to Fertimar Mineração e Navegação Ltda. <sup>(1)</sup>	1,800	1,800
Directors and Officers insurance claim	-	388
Other	218	298
	<b>2,018</b>	<b>2,486</b>

Note:

<sup>(1)</sup> GrowMax entered into a Share Purchase Agreement (the "SPA") with the controlling shareholders of Fertimar Mineração e Navegação Ltda. ("Fertimar") in which a loan was made to Fertimar with interest calculated using the Certificado de Depósito Interbancário ("CDI") rate in Brazil, currently set at 6.05% per annum. The bridge facility is secured by a personal guarantee from Mr. Eduardo Marinho Christoph. On March 4, 2019 GrowMax announced that the SPA had been terminated following which a notice to repay the loan was issued by GrowMax to Fertimar. As at September 30, 2019, loan principal and accrued interest which was due on September 23, 2019, remained unpaid. The Company is currently in negotiations with Fertimar to restructure terms of repayment.

## Exploration and evaluation assets write-off

At December 31, 2018, the Company determined that the carrying amount of the exploration and evaluation assets exceeded their recoverable amount and a write off of \$57,058 was recorded. The impairment was determined in accordance with level 3 of the fair value hierarchy. As at September 30, 2019 and December 31, 2018, the carrying value of the Company's exploration and evaluation assets is \$nil.

There are other accounts which were affected by the impairment of the exploration and evaluation assets as follow:

- **Other non-current assets**  
This is comprised of VAT payments made in Peru. As there will be no anticipated production in Peru going forward the Company recorded a write-off of \$4,252 for this asset for the year ended December 31, 2018.
- **Payable to Peruvian Group**  
The current payable of \$1,986 remains but the Company no longer has an obligation to pay the \$4,359 non-current portion payable at December 31, 2018, as it would only have been payable upon achievement of commercial production of phosphate.
- **Deferred payments**  
The transfer agreement for the Bayovar Property requires future production-related payments (based on future production levels) to a Peruvian state-owned company, which are considered deferred payments for accounting purposes. Due to the write off of related Peruvian assets during the year ended December 31, 2018, no further production related payments will be made to the Peruvian state-owned company and the fair value of this liability became \$nil at December 31, 2018.
- **Provisions and other current liabilities**  
As at September 30, 2019, an onerous contracts provision was recognized in the amount of \$5,442 (December 31, 2018 – \$5,042). This primarily relates to penalties that will be payable due to the shortfall on the investment commitment. In October 2019, the Company redeemed its restricted investments with a balance of \$6,622 at September 30, 2019 which relates to a US\$5,000 performance bond that was posted for its commitments in Peru. The proceeds from the redemption of the restricted investments will mostly be used to settle any penalties payable due to the shortfall on the investment commitment.

The following table summarizes the total amount recognized as net write off related to exploration and evaluation assets for the year ended December 31, 2018:

(\$ in thousands)	December 31, 2018
Exploration and evaluation assets	57,058
Other non-current assets (VAT)	4,252
Non-current payable to Peruvian Group	(4,359)
Deferred payments	(7,783)
Net exploration and evaluation assets write off	49,168
Onerous contracts provision	5,042
	54,210

### Payable to Peruvian Group

On January 25, 2016, APPSA, acquired the remaining 30% beneficial interest in the Bayovar Property from the Peruvian Group, a former related party to the Company. The payable to the Peruvian Group is the Company's remaining obligation under the terms of the acquisition agreement.

The payable to the Peruvian Group has been classified as a financial liability carried at amortized cost. As at September 30, 2019, the Company classified \$1,986 (December 31, 2018 – \$2,047) of the payable as a current liability. The amount previously accounted for as non-current was written off along with other related Peruvian assets during the year ended December 31, 2018. The Company no longer has the obligation to pay this amount.

## **General and Administrative Expenses**

A breakdown of other general and administrative expenses follows:

(\$ in thousands)	Three months ended		Nine months ended	
	September 30, 2019	2018	September 30, 2019	2018
Employee benefits (including termination costs)	84	350	1,015	1,172
Insurance	126	11	107	31
Management fees	122	-	122	-
Professional and consulting	(1,119)	1,350	921	1,744
Rent	23	12	71	45
Travel	33	42	105	192
Other	149	115	750	305
	(582)	1,880	3,091	3,489

The decrease in employee benefits (including termination costs) for the three and nine months ended September 30, 2019, was mainly due the recording of 4 months of expenses due to the termination or resignation of all employees of the Company in April 2019. The comparable period in 2018 includes 9 months of expenses.

The increase in insurance for the three and nine months ended September 30, 2019, was mainly due to the payment of director and officer insurance for the run-off period prior to the installation of the New Board and senior management in March 2019. No comparable payment was made for the comparable period in 2018.

The increase in management fees for the three and nine months ended September 30, 2019, was mainly due to the addition of contract consultants in the roles of CEO and CFO. For the comparable period in 2018, the CEO and CFO of the Company were employees.

The recovery of professional and consulting fees of \$1,119 for the three months ended September 30, 2019 and the decrease of \$823 for the nine months ended September 30, 2019 compared to 2018 was mainly due to the reversal of accruals recognized as at December 31, 2018. The accruals related mostly to accounting and legal fees incurred in 2018 and paid in 2019.

## **Other Income (Expense)**

A breakdown of other income (expense) follows:

(\$ in thousands)	Three months ended		Nine months ended	
	September 30, 2019	2018	September 30, 2019	2018
Loss on sale of marketable securities	-	-	-	(36)
Loss on fair value through profit or loss financial instruments	-	(432)	-	(893)
Foreign exchange gain (loss)	381	(729)	(1,018)	1,339
Interest income	88	169	334	499
Other income	245	5	260	9
	714	(987)	(424)	918

The loss on fair value through profit or loss from financial instruments for the three and nine months ended September 2018, was due to the impact of adopting IFRS 9 on January 1, 2018.

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. Foreign exchanges gains of \$381 and \$1,339 for the three months ended September 30, 2019 and nine months ended September 30, 2018 respectively, were mainly due to the strengthening of the US dollar vis-à-vis the Canadian dollar. Foreign exchanges losses of \$729 and \$1,018 for the nine months ended September 30, 2018 and three months ended September 30, 2019 respectively, were mainly due to the weakening of the US dollar vis-à-vis the Canadian dollar.

The decrease in interest income for the three and nine months ended September 30, 2019, was mainly due to lower investment balances held by the Company in 2019 compared to 2018. Please see the “Working capital” and “Cash and cash equivalents” sections for information regarding the Company’s use of cash.

The increase in other income for the three and nine months ended September 30, 2019, was mainly due to management fees related to the Company’s investment in Quality Green. Please see the “Equity investments section for more information.

**Foreign Exchange Gain (Loss)**

Foreign exchange gains (losses) recognized in other income (expense) on the condensed consolidated interim statement of income (loss) reflects the impact of changes in exchange rates on foreign denominated financial instruments. For the nine months ended September 30, 2019, the Company recognized \$1.0 million of foreign exchange losses (2018 – \$1.3 million of foreign exchange gains). The foreign exchange gains (losses) recognized in 2019 and 2018 arose primarily due to U.S. dollar financial instruments and the fluctuation of the U.S. dollar relative to the Canadian dollar.

The volatility of foreign exchange markets creates 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 gains (losses) reported in other income (expense) on the condensed consolidated interim statement of income (loss) as well as the other comprehensive income (loss) reported on the condensed consolidated interim statement of comprehensive income (loss).

**Other Comprehensive Income (Loss)**

During the nine months ended September 30, 2019, the Company reported other comprehensive loss of \$3.6 million (2018 – \$3.4 million).

The Company’s balance of accumulated other comprehensive loss is attributable to foreign currency adjustments (including related income tax) which result from translating and consolidating the financial statements of the Company’s foreign operations into the Canadian dollar presentation currency.

The Company’s foreign operations are translated using publicly quoted rates.

**Related Party Transactions**

The Company’s related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

Remuneration to the Company’s related parties was as follows:

(\$ in thousands)	Nine months ended September 30,	
	2019	2018
Short-term employee benefits <sup>(1)</sup>	602	567
Rent	21	-
Professional and consulting fees	11	-
	634	567

Notes:

<sup>(1)</sup> Includes directors’ fees, consulting fees, management fees, salaries and bonuses.

**Liquidity**

As at September 30, 2019, the Company had \$17.2 million of consolidated cash and cash equivalents and had a consolidated working capital position of \$22.6 million. See “Cash and cash equivalents” section above for information regarding the change in cash and cash equivalents and the change in working capital during the nine months ended September 30, 2019 and 2018.

After a thorough review of the Company's resources and strategic options, and given the expertise and skill sets of the Company's management and directors, the GrowMax Board has determined that the optimal allocation of the Company's working capital would be within the framework of an investment company. See "Proposed change of business" section above.

See the "Restricted investments" and "Payable to the Peruvian Group" sections above for information regarding the Company's Peruvian commitments and liabilities.

## Financial instruments and financial risk management

### (a) Categories of financial instruments

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

	September 30, 2019	December 31, 2018
<b>Financial assets</b>		
Amortized cost		
Cash	\$ 17,176	\$ 32,473
Restricted investments	6,622	6,821
Other current assets	1,951	2,224
Fair value through profit or loss		
Equity investments	4,494	-
	<b>\$ 30,243</b>	<b>\$ 41,518</b>
<b>Financial liabilities</b>		
Amortized cost		
Accounts payable and accrued liabilities	\$ 100	\$ 1,978
Current payable to Peruvian Group	1,986	2,047
Provisions and other current liabilities	5,584	5,119
	<b>\$ 7,670</b>	<b>\$ 9,144</b>

### (b) Fair value of financial instruments

#### (i) Fair value estimation of financial instruments

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

#### (ii) Financial instruments measured at fair value

Financial instruments that are measured at fair value subsequent to initial recognition are grouped in a hierarchy based on the degree to which the fair value is observable. The levels in the hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company is responsible for performing the valuation of fair value measurements included in the condensed consolidated interim financial statements, including Level 3 fair values. The valuation processes and results for recurring measurements are reviewed at least once every quarter, in line with the Company's quarterly reporting dates.

The equity investments are based on inputs other than quoted prices and are therefore considered to be Level 3. The derivative instruments are based on inputs other than quoted prices and therefore considered to be Level 3.

There were no transfers between levels of the fair value hierarchy during the nine months ended September 30, 2019 and the year ended December 31, 2018.

### (c) Financial risk management

The Company's financial instruments are exposed to certain financial risks, including currency risk, interest rate 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.

#### (i) Currency risk

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

The Company's condensed consolidated interim financial statements are presented in Canadian dollars. The functional currency of GrowMax's head office Canadian operations is the Canadian dollar. The functional currency of GAC and APPSA is the U.S. dollar.

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, GAC has a U.S. dollar functional currency but incurs some expenditures in Canadian dollars. The Company is therefore exposed to foreign exchange risks pertaining to the Canadian dollar - U.S. dollar exchange rate. APPSA incurs expenditures in U.S. dollars, Canadian dollars and Peruvian Soles.

As at September 30, 2019, the Company's head office held US\$11,485 (December 31, 2018 – US\$22,012) of U.S. dollar cash. As at September 30, 2019 and December 31, 2018, the Company's head office held US\$5,000 of U.S. dollar restricted investments.

The Company estimates that a 5% weakening of the Canadian dollar at September 30, 2019 would have decreased the Company's reported net loss for the nine months ended September 30, 2019 by approximately \$825 (relates to U.S. dollar financial instruments held at head office). A 5% strengthening of the Canadian dollar at September 30, 2019 would have had an equal but opposite effect.

The Company also estimates that a 5% weakening of the U.S. dollar at September 30, 2019 would have increased the Company's reported net loss for the nine months ended September 30, 2019 by approximately \$825 (relates to U.S. dollar financial instruments held at head office). A 5% strengthening of the U.S. dollar at September 30, 2019 would have had an equal but opposite effect. A sensitivity analysis with respect to other currencies would be negligible.

#### (ii) 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's strategy is to stagger the maturity dates over different time periods to minimize exposure to interest rate changes. The Company monitors its exposure to interest rates but has not entered into any derivative financial instruments to manage this risk.

(iii) 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.

As at September 30, 2019, the Company's restricted investments and the majority of its cash are held with a financial institution in Canada that was assigned a long-term issuer default rating of AAA (Fitch Ratings).

During the third quarter ended September 30, 2018, the Company recorded a \$1,942 (US\$1,500) loss allowance on a receivable balance. The expected credit loss rate was increased to 60% as a result of the increased risk associated with the receivable. This increased risk was primarily due to the default of the first installment which was due September 30, 2018 (US\$1,000).

The Company is exposed to credit risk arising from the loan to Fertimar. The carrying amount of the loan to Fertimar represents the maximum credit exposure.

(iv) 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.

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.

(v) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments consisting of common shares and derivative investments consisting of share purchase warrants are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held. The Company's equity investments are monitored by the Board with decisions on sale or exercise taken by Management. A 10% decrease in fair value of the shares and warrants would result in an approximate \$495 decrease in net loss and comprehensive loss.

## **Accounting Policies**

The preparation of this MD&A is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2018. For further information, see note 3 of the Company's audited annual consolidated financial statements for the year ended December 31, 2018.

## **4.0 OTHER INFORMATION AND ADVISORIES**

### **Disclosure of Outstanding Share Data**

As at September 30, 2019 and the date of this MD&A, the Company has the following securities outstanding:

<b>Description of Security</b>	<b>Number of Securities Outstanding</b>
Common Shares	213,925,645
Stock Options	40,000

### **Business Risk Factors**

For information on risk factors associated with GrowMax's business, see "Business Risk Factors" in the Company's annual MD&A for the year ended December 31, 2018.

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

Since the Company is a TSXV issuer, it is required to file basic venture certificates, which it has done for the quarter ended September 30, 2019. The Company makes no assessment relating to establishment and maintenance of internal control over financial reporting and disclosure controls and procedures as at and for the period ended September 30, 2019.

### **Additional Information**

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

## **5.0 GLOSSARY OF TERMS**

In this MD&A – Quarterly Highlights, 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>“Agreement”</b>	means the Share purchase agreement dated August 20, 2018 between the Company and controlling shareholders of Fertimar Mineração e Navegação Ltda. (“Fertimar”), to acquire the issued and outstanding shares of Fertimar in exchange for common shares of the Company;
<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 up to November 2016;
<b>“Fertimar Mineração e Navegação Ltda.”</b>	means a Brazilian producer of animal feed and plant fertilizer products containing special Lithothamnion characteristics (“Fertimar”), also operating under the name Primasea Nutrição Animal e Vegetal (“PrimaSea”);
<b>“Foundation”</b>	means the Communal Foundation of San Martin de Sechura;
<b>“FVOCI”</b>	means fair value through other comprehensive income;
<b>“FVPL”</b>	means fair value through profit or loss;
<b>“IASB”</b>	means the International Accounting Standards Board;
<b>“IFRS”</b>	means International Financial Reporting Standards as issued by the IASB;
<b>“IFRS 9”</b>	means IFRS 9 <i>Financial Instruments</i> ;
<b>“MD&amp;A”</b>	means management’s discussion & analysis;
<b>“Meeting”</b>	means Annual and Special Meeting of shareholders of GrowMax originally scheduled to be held on September 25 <sup>th</sup> , 2018 and subsequently postponed;
<b>“Peru”</b>	means the Republic of Peru;
<b>“Peruvian Group”</b>	means the Peruvian party that owned the remaining 30% (now 0%) 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>“SOP”</b>	means Sulfate of Potash;
<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 a 70% (now 100%) interest in the Bayovar Property to APPSA;

“TSXV”	means the TSX Venture Exchange; and
“VAT”	means Value-added tax.

## **6.0 FORWARD LOOKING INFORMATION**

This MD&A – Quarterly Highlights and certain documents incorporated by reference into this MD&A – Quarterly Highlights contain forward-looking information including, but not limited to, the Company’s goals, plans, strategy and objectives; the Company’s exploration and development activities; the consolidation of junior fertilizer assets; the ability to target projects with favourable margins and generating cash flow; becoming a leading producer of fertilizer products and a prominent player in the Latin American fertilizer industry achieving the Company’s commitments; moving forward on the Bayovar Project; achieving the Company’s commitments; moving forward on the Bayovar Project; the theoretical viability of producing SOP; the planned SOP pilot project; approval of the application for a semi-detailed Environmental Impact Assessment; construction of the SOP pilot project engineering designs and tendering of construction contracts for the phosphate pilot project; the executed agreement between the Company, the local community and the Foundation; the support of the local community and the Foundation towards the Company carrying out activities to progress projects without delay; the Company’s capital program and budget, including the anticipated costs thereof; budget general and administrative costs; further investigations and studies of domestic and regional sales of phosphate rock and timing thereof; progressing on the social, environmental and permitting requirements and timing thereof; completing market studies for domestic and regional sales of different potential fertilizers; construction of a fertilizer plant; design and cost optimization of the potash brine and phosphate projects; improved economics for the projects; the design of a small starter mine; improving the quality of the brine resources; producing geotechnical and flood inundation studies; the ability to deliver the projects on time; preservation of cash; improved set of projects’ economics; delivery of value moving forward; construction of evaporation ponds and timing thereof; the receipt of the remaining receivable from the sale of Energicon; the completion of detailed engineering designs and a development plan for the SOP project; the construction of solar evaporation ponds and a processing plant for the production of SOP and timing thereof; the conclusion of sales, marketing and transportation agreements for the SOP project; construction of and production from pilot ponds/mines and timing thereof; completion of engineering designs for a small-scale pilot mine and production therefrom; progressing and optimizing the concept of a large-scale mine; completion of a feasibility study and timing thereof; submission of permit applications; major milestones required to commence commercial production of carnallite, kainite and/or potash at the Bayovar Property; major milestones required to advance towards the commercial production of phosphates at the Bayovar Property; plans for permitting, engineering and construction and timing thereof; plans for future production and sales and timing thereof; work related to the Company’s potash project at Bayovar; the potential for phosphates, potash, and other minerals in respect of the land in the Secura Desert; future drilling plans in Peru; the substitution of the performance bond posted for commitments in Peru once the investment commitment has been performed, expectations regarding the Company’s ability to fund all of its commitments/contractual agreements and other discretionary future capital costs; the availability of project financing or a development partner; the availability of additional funding; the Company is in discussions to modify its commitments at the Bayovar Property, though there is no assurance that any such modification will be approved; approval to be received by GrowMax shareholders at its Annual and Special Meeting of Shareholders to be held on a specified date per Order of the Court of Queen’s Bench of Alberta with respect to the Share Purchase Agreement dated August 20, 2018 with the controlling shareholders of Fertimar, also known by its trade name, Primasea; and the outcome of the Order of Court of Queen’s Bench of Alberta.

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’s 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 communities 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 and retaining qualified personnel and the risks 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. 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 – Quarterly Highlights. 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.

**The forward-looking statements contained in this MD&A – Quarterly Highlights 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.

## **7.0 NON-GAAP FINANCIAL MEASURE**

The Company uses and reports a measurement in the evaluation of its liquidity 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 3 for further information on the calculation of this measure.