



GROWMAX RESOURCES CORP.
Condensed Consolidated Interim Financial Statements
September 30, 2019

GrowMax Resources Corp.

Condensed Consolidated Interim Statements of Financial Position

Unaudited

(Expressed in thousands of Canadian dollars)

	Note	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash		\$ 17,176	\$ 32,473
Equity investments	5	4,494	-
Restricted investments	17	6,622	6,821
Other current assets	6	2,018	2,486
Total current assets		30,310	41,780
Non-current assets			
Exploration and evaluation assets	7	-	-
Property, plant and equipment		76	86
Total assets		\$ 30,386	\$ 41,866
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 100	\$ 1,978
Payable to Peruvian Group	8	1,986	2,047
Provisions and other current liabilities	9	5,584	5,119
Total liabilities		7,670	9,144
Equity			
Share capital	10	214,211	220,628
Contributed surplus	10	39,220	39,220
Accumulated other comprehensive income		3,466	3,324
Deficit		(237,064)	(233,370)
Equity attributable to owners of the Company		19,833	29,802
Non-controlling interest		2,883	2,920
Total equity		22,716	32,722
Total liabilities and equity		\$ 30,386	\$ 41,866
Commitments	17		

Approved by the Board of Directors on November 29, 2019.

Signed:
"Kulwant Malhi"

Director

Signed:
"Michael Sadhra"

Director

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

GrowMax Resources Corp.

Condensed Consolidated Interim Statements of Income (Loss)

Unaudited

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
General and administrative expenses					
Depreciation		\$ (2)	\$ (4)	\$ (7)	\$ (15)
Stock-based compensation		-	(13)	-	(39)
Other general and administrative	11	582	(1,880)	(3,091)	(3,489)
		580	(1,897)	(3,098)	(3,543)
Other income (expense)	12	714	(987)	(424)	918
Net impairment losses on financial assets	7	-	(1,942)	-	(1,942)
Fair value change in derivative instruments		(217)	-	(217)	-
Income (loss) before income tax		1,077	(4,826)	(3,739)	(4,567)
Income tax expense		-	(131)	-	(266)
Net income (loss) for the period		\$ 1,077	\$ (4,957)	\$ (3,739)	\$ (4,833)
Attributable to:					
Owners of the Company		\$ 1,095	\$ (4,921)	\$ (3,694)	\$ (4,758)
Non-controlling interest		(18)	(36)	(45)	(75)
		\$ 1,077	\$ (4,957)	\$ (3,739)	\$ (4,833)
Earnings (loss) per share attributable to owners of the Company					
Basic and diluted	14	\$ 0.01	\$ (0.02)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding					
Basic and diluted		213,925,645	213,925,645	213,925,645	213,925,645

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

GrowMax Resources Corp.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

Unaudited

(Expressed in thousands of Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Net income (loss) for the period	\$	1,077	\$ (4,957)	\$ (3,739)	\$ (4,833)
Other comprehensive income (loss) net of tax					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		117	(725)	142	1,316
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences on translating non-controlling interest		7	(38)	8	73
Comprehensive income (loss) for the period	\$	1,201	\$ (5,720)	\$ (3,589)	\$ (3,444)
Attributable to:					
Owners of the Company	\$	1,212	\$ (5,646)	\$ (3,552)	\$ (3,442)
Non-controlling interest		(11)	(74)	(37)	(2)
	\$	1,201	\$ (5,720)	\$ (3,589)	\$ (3,444)

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

GrowMax Resources Corp.

Condensed Consolidated Interim Statements of Changes in Equity

Unaudited

(Expressed in thousands of Canadian dollars)

	Number Of Shares	Share Capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Equity attributable to owners of the Company \$	Non- controlling interest \$	Total Equity \$
Balance – December 31, 2017	213,925,645	220,628	39,171	(239)	(178,265)	81,295	5,671	86,966
Impact of adopting IFRS 9 on January 1, 2018	-	-	-	-	(376)	(376)	-	(376)
Balance – January 1, 2018	213,925,645	220,628	39,171	(239)	(178,641)	80,919	5,671	86,590
Net loss	-	-	-	-	(4,758)	(4,758)	(75)	(4,833)
Other comprehensive income	-	-	-	1,316	-	1,316	73	1,389
Total comprehensive income (loss)	-	-	-	1,316	(4,758)	(3,442)	(2)	(3,444)
Share-based payments – options	-	-	39	-	-	39	-	39
Balance – September 30, 2018	213,925,645	220,628	39,210	1,077	(183,399)	77,516	5,669	83,185
Balance – December 31, 2018	213,925,645	220,628	39,220	3,324	(233,370)	29,802	2,920	32,722
Return of capital	-	(6,417)	-	-	-	(6,417)	-	(6,417)
Net loss	-	-	-	-	(3,694)	(3,694)	(45)	(3,739)
Other comprehensive income	-	-	-	142	-	142	8	150
Total comprehensive income (loss)	-	-	-	142	(3,694)	(9,969)	(37)	(10,006)
Balance – September 30, 2019	213,925,645	214,211	39,220	3,466	(237,064)	19,833	2,883	22,716

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

GrowMax Resources Corp.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited

(Expressed in thousands of Canadian dollars)

	Note	Nine months ended September 30,	
		2019	2018
Operating activities			
Net loss for the period		\$ (3,739)	\$ (4,833)
Adjustments to net loss for non-operating items and non-cash items:			
Depreciation		7	15
Stock-based compensation expense		-	39
Unrealized and other foreign exchange (gain) loss		1,018	(1,464)
Loss on sale of marketable securities		-	36
Unrealized loss on fair value through profit or loss financial instruments		-	893
Net impairment losses on financial assets		-	1,942
Fair value change in derivative investments		217	-
Deferred income tax expense		-	266
Other expense		(20)	-
Cash used by operating activities, before changes in non-cash operating items:		(2,517)	(3,106)
Net change in non-cash operating items	16	(945)	(845)
Net cash used by operating activities		(3,462)	(3,951)
Investing activities			
Capital expenditures, net	16	(3)	(3,721)
Purchase of equity investments	5	(4,711)	-
Net cash used by investing activities		(4,714)	(3,721)
Financing activity			
Return of capital	10	(6,417)	-
Net cash used by financing activity		(6,417)	-
Net change in cash		(14,593)	(7,672)
Effect of foreign exchange rate on cash		(704)	1,037
Cash – beginning of period		32,473	39,157
Cash – end of period		\$ 17,176	\$ 32,522

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

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and 2018

Unaudited

(Currency amounts are expressed in thousands of Canadian dollars, except per tonne amounts, per share amounts and prices)

1. General information and going concern

GrowMax Resources Corp. (the “Company” or “GrowMax”) is a publicly traded company that was formed on August 22, 2008 by an amalgamation of two predecessor entities. The Company is incorporated and domiciled in Canada. The Company’s corporate head office is located at 915 – 700 West Pender Street, Vancouver, BC, V6C 1G8.

GrowMax has the following subsidiaries:

- (1) 95% ownership interest in GrowMax Agri Corp. (“GAC”), which was incorporated and registered in Alberta in 2009 and is a holding company for its 100% owned subsidiary, Americas Potash Peru S.A. (“APPSA”); and
- (2) APPSA, which was incorporated and registered in Peru in 2008, and holds the Company’s interests in phosphates, potash and other mineral concessions in Peru.

These condensed consolidated interim financial statements (“Financial Statements”) have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The management and the board has considered the Company’s current activities and funding position in determining the ability of the Company to adopt the going concern basis in preparing these Financial Statements for the nine months ended September 30, 2019.

Since inception, efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. In recent years, the Company was focused on the exploration, evaluation, and development of phosphate and potassium-rich brine resources on its Bayovar property (the “Bayovar Property”), which is located in the Secura Desert in northwestern Peru. GrowMax wrote off its exploration and evaluation assets at December 31, 2018 (see note 7 for further information).

After a thorough review of the Company’s resources and strategic options, and given the expertise and skill sets of the Company’s 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 rules 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. Subject to receipt of all regulatory approvals, including approval of the TSXV of the Proposed COB, the Company will become a Tier 1 Investment Issuer.

As at September 30, 2019, the Company has an accumulated deficit of \$237,064 (December 31, 2018 – \$233,370) and has no current source of operating cash inflow. For the nine months ended September 30, 2019, the Company incurred a loss of \$3,739 (December 31, 2018 – \$4,833), and had negative cash flows from operating activities. As at September 30, 2019, the Company has a cash balance of \$17,176 (December 31, 2018 – \$32,473).

The Company expects to complete the Proposed COB in the near future. The future of the Company will depend upon the successful completion of its Proposed COB, future successful operations and earnings. In addition to its current cash resources, the Company may require additional financing, either through equity issuances or debt facilities, to complete its Proposed COB. However, there can be no assurance that the Company will be successful in these initiatives.

These circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company’s ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These Financial Statements do not reflect the statement of financial position classifications or the adjustments that might be necessary to the carrying amount of reported assets, liabilities, and expenses if the Company could not continue as a going concern. Such adjustments could be material.

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

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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(Currency amounts are expressed in thousands of Canadian dollars, except per tonne amounts, per share amounts and prices)

2. Basis for presentation

These Financial Statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. They do not include all the information required for full annual financial statements. These Financial Statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

3. Significant accounting policies

The preparation of these Financial Statements 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.

4. Critical accounting estimates and judgements

The preparation of these Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In preparing these Financial Statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the audited annual consolidated financial statements for the year ended December 31, 2018.

In addition to the key sources of estimation uncertainty disclosed in the audited annual consolidated financial statements for the year ended December 31, 2018, the following key sources were identified for the period ended September 30, 2019:

- (1) In estimating the fair value of derivative investments, using the Black-Scholes option pricing model, management is required to make certain assumptions and estimates, including share prices not quoted on an active market and the volatility of share prices. Changes in assumptions used to estimate fair value could result in materially different results.

5. Equity investments

All of the Company's equity investments are privately held entities as at September 30, 2019. The Company had no equity investments as at December 31, 2018. As at September 30, 2019, equity investments consist of:

	Quality Green Shares	Quality Green Warrants	Sweet Earth Shares	Hempfusion Shares
Balance, December 31, 2018	\$ -	\$ -	\$ -	-
Acquisition	2,565	460	250	340
Change in fair value	-	(217)	-	-
Balance, September 30, 2019	\$ 2,565	\$ 243	\$ 250	\$ 340

	Hempfusion Warrants	First Responder Shares	First Responder Warrants	Total
Balance, December 31, 2018	\$ -	\$ -	\$ -	-
Acquisition	46	909	141	4,711
Change in fair value	-	-	-	(217)
Balance, September 30, 2019	\$ 46	\$ 909	\$ 141	\$ 4,494

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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 IPO price is US\$7.00 or greater, the exercise price shall be equal to the IPO price; and (b) if the IPO price is less than US\$7.00, the exercise price shall be equal to a 15% discount to the 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.

GrowMax Resources Corp.

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6. Other current assets

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

Note:

(1) 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.

7. Exploration and evaluation assets write off

At December 31, 2018, management determined that they would no longer pursue the development of the Bayovar Property and accordingly, the carrying amount of the exploration and evaluation assets of \$57,058 was written off. 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 (see note 8 for further information).
- 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 required to 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. These costs will be covered by the Company's restricted investments balance of \$6,622 at September 30, 2019 which relates to a US\$5,000 performance bond posted for its commitments in Peru (see note 9 for further information).

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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Unaudited

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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:

	December 31, 2018
Exploration and evaluation assets	\$ 57,058
Other non-current assets (VAT)	4,252
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

8. 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.

9. Provisions and other current liabilities

	September 30, 2019	December 31, 2018
Onerous contracts provision ⁽¹⁾	\$ 5,442	\$ 5,042
Other	142	77
	\$ 5,584	\$ 5,119

Note:

(1) 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 on the Fertilizer project. These penalties will be covered by the Company's restricted investments balance of \$6,622 at September 30, 2019 (December 31, 2018 - \$6,821). The restricted investments relate to a US\$5,000 performance bond posted for its commitments in Peru (see notes 7 & 17 for further information). This liability was settled in October 2019.

10. Equity

(a) Common shares

Authorized shares: unlimited number of common shares and unlimited number of preferred shares. No preferred shares have ever been issued.

No shares were issued for the nine months ended September 30, 2019 and 2018.

On September 5, 2019, the Company returned capital to its shareholders of record as of close of business on August 26, 2019, a cash amount of \$0.03 per common share for a total aggregate disbursement of \$6,417.

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(b) Options to purchase common shares

(i) Movement in share options

The changes in share options during the nine months ended September 30, 2019 and year ended December 31, 2018 were as follows:

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of the period/year	4,505,000	\$0.21	9,208,334	\$0.53
Options expired/cancelled	(2,740,000)	\$0.20	(4,403,336)	\$0.88
Options forfeited	(1,725,000)	\$0.22	(299,998)	\$0.18
Balance outstanding, end of the period/year	40,000	\$0.20	4,505,000	\$0.21

(ii) Share options outstanding at September 30, 2019

The following table summarizes information concerning outstanding and exercisable options of the Company at September 30, 2019:

Options outstanding	Options exercisable	Exercise price	Remaining contractual life (years)
40,000	40,000	\$0.20	2.16

(c) Accumulated other comprehensive loss

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.

11. Other general and administrative expenses (income)

	Three months ended		Nine months ended September	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 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

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12. Other income (expense)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	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

13. 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
Financial assets		
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	-
	\$ 30,243	\$ 41,518
Financial liabilities		
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
	\$ 7,670	\$ 9,144

(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.

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(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.

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Notes to the Condensed Consolidated Interim Financial Statements

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Unaudited

(Currency amounts are expressed in thousands of Canadian dollars, except per tonne amounts, per share amounts and prices)

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.

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14. Earnings (loss) per share

The 40,000 share options outstanding at September 30, 2019 are antidilutive for the nine months ended September 30, 2019. The instruments could potentially dilute basic earnings per share in the future.

15. 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:

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

Notes:

(1) Includes directors' fees, consulting fees, management fees, salaries and bonuses.

16. Supplemental cash flow information

Net change in non-cash statement of financial position operating items is summarized as follows:

	Nine months ended September 30,	
	2019	2018
Other current assets	\$ 468	\$ (1,502)
Other non-current assets	-	(260)
Accounts payable and accrued liabilities	(1,878)	827
Provisions and other current liabilities	465	90
	\$ (945)	\$ (845)

Capital expenditures are comprised of:

	Nine months ended September 30,	
	2019	2018
Additions to exploration and evaluation assets	\$ -	\$ 3,379
Additions to property, plant and equipment	(3)	-
Changes in payable to Peruvian Group	-	(564)
Changes in other current liabilities	-	301
Changes in accounts payable and accrued liabilities	-	605
	\$ (3)	\$ 3,721

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For the nine months ended September 30, 2019 and 2018

Unaudited

(Currency amounts are expressed in thousands of Canadian dollars, except per tonne amounts, per share amounts and prices)

17. Commitments and contingency

Fertilizer project - Peru

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

- Complete a revised economic study by March 2018 (completed and submitted);
- Commence production by May 2019 (production has not commenced up to November 29, 2019, the date of Board approval of these Financial Statements);
- Payments of US\$480 to a Peruvian state-owned company (US\$240 was paid during the second quarter of 2017 and the balance of US\$240 was paid during the third quarter of 2018), half of which to be distributed by the Peruvian state-owned company to the local community;
- Produce a minimum of 70% of the annual sales volume set forth in the applicable economic study (this has not been achieved because production has not commenced); and
- Invest a minimum of US\$19,800 in the project from May 2016 to May 2019, of which the Company had fulfilled approximately US\$8,200 up to November 29, 2019, the date of Board approval of these Financial Statements.

The Company's restricted investments balance of \$6,622 September 30, 2019 (December 31, 2018 - \$6,821) relates to a US\$5,000 performance bond posted for the Company's commitments in Peru. The transfer agreement requires future production-related payments to be paid to a Peruvian state-owned company based on future production levels. The future payments to the Peruvian state-owned company are, for accounting purposes, considered deferred payments (see note 7 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. Unlike the future payments to the Peruvian state-owned company, future payments to the community have not been recognized in these Financial Statements. Such future payments to the community will be recognized in the consolidated statements of income (loss) as incurred as they are related to surface easement and access rights.

The future production-related payments payable to the local community would have ultimately depended on future production volumes and product prices. Due to the write off related to the Peruvian assets, no further production related payments will be made to the Peruvian state-owned company (See note 7 for more information).

Contingency

During the nine months ended September 30, 2019, the Company received a notice of a claim filed against the Company by a former consultant for payments owing in connection with certain property agreements in respect of the Bayovar Property. The Company is defending the claim based on breach of agreement. At this time, the Company is not able to assess the amount and accordingly no provision has been recorded in the condensed consolidated interim financial statements.