



GROWMAX RESOURCES CORP.
Condensed Consolidated Interim Financial Statements
June 30, 2020

GrowMax Resources Corp.

Condensed Consolidated Interim Statements of Financial Position

Unaudited

(Expressed in thousands of Canadian dollars)

As at	Note	June 30, 2020	December 31, 2019
Assets			
Current assets			
Cash		\$ 15,441	\$ 16,162
Equity investments	5	7,100	4,742
Other current assets	6	2,146	2,063
Total assets		\$ 24,687	\$ 22,967
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	\$ 132	\$ 265
Payable to Peruvian Group	7	2,044	1,948
Provisions and other current liabilities	8	1,094	902
Total liabilities		3,270	3,115
Equity			
Share capital	9	214,211	214,211
Contributed surplus		39,195	39,195
Accumulated other comprehensive income		3,449	3,445
Deficit		(238,266)	(239,854)
Equity attributable to owners of the Company		18,589	16,997
Non-controlling interest	10	2,828	2,855
Total equity		21,417	19,852
Total liabilities and equity		\$ 24,687	\$ 22,967
Contingencies	15		

Approved by the Board of Directors on October 14, 2020.

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) and Comprehensive Income (Loss)

Unaudited

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
General and administrative expenses					
Depreciation		\$ -	\$ (2)	\$ -	\$ (5)
Other general and administrative	11	(355)	(1,418)	(721)	(3,763)
		(355)	(1,420)	(721)	(3,768)
Other income (expense)	12	(563)	43	748	(1,138)
Fair value gain on equity investments	5	508	-	1,534	-
Net income (loss) for the period		\$ (410)	\$ (1,377)	\$ 1,561	\$ (4,906)
Attributable to:					
Owners of the Company		\$ (396)	\$ (1,366)	\$ 1,588	\$ (4,879)
Non-controlling interest		(14)	(11)	(27)	(27)
		\$ (410)	\$ (1,377)	\$ 1,561	\$ (4,906)
Earnings (loss) per share attributable to owners of the Company					
Basic and diluted		\$ (0.00)	\$ (0.01)	\$ 0.01	\$ (0.02)
Weighted average number of common shares outstanding					
Basic and diluted		213,925,645	213,925,645	213,925,645	213,925,645
Net income (loss) for the period		\$ (410)	\$ (1,377)	\$ 1,561	\$ (4,906)
Other comprehensive income (loss), net of tax					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		11	(118)	4	25
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences on translating non-controlling interest		-	(7)	-	1
Comprehensive income (loss) for the period		(399)	(1,502)	1,565	(4,880)
Attributable to:					
Owners of the Company		(412)	(1,484)	1,565	(4,854)
Non-controlling interest		13	(18)	-	(26)
		\$ (399)	\$ (1,502)	\$ 1,565	\$ (4,880)

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 \$	Deficit \$	Equity attributable to owners of the Company \$	Non- controlling interest \$	Total equity \$
Balance – December 31, 2018	213,925,645	220,628	39,220	3,324	(233,370)	29,802	2,920	32,722
Net loss	-	-	-	-	(4,879)	(4,879)	(27)	(4,906)
Other comprehensive income	-	-	-	26	-	26	1	27
Total comprehensive income (loss)	-	-	-	26	(4,879)	(4,853)	(26)	(4,879)
Balance – June 30, 2019	213,925,645	220,628	39,220	3,350	(238,249)	24,949	2,894	27,843
Balance – December 31, 2019	213,925,645	214,211	39,195	3,445	(239,854)	16,997	2,855	19,852
Net income (loss)	-	-	-	-	1,588	1,588	(27)	1,561
Other comprehensive income	-	-	-	4	-	4	-	4
Total comprehensive income (loss)	-	-	-	4	1,588	1,592	(27)	1,565
Balance – June 30, 2020	213,925,645	214,211	39,195	3,449	(238,266)	18,589	2,828	21,417

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	Six months ended June 30,	
		2020	2019
Operating activities			
Net income (loss) for the period		\$ 1,561	\$ (4,906)
Adjustments to net income (loss) for non-operating items and non-cash items:			
Depreciation		-	5
Unrealized and other foreign exchange (gain) loss		(639)	1,399
Fair value gain on equity investments	5	(1,534)	-
Other income		-	(15)
<hr/>			
Cash used by operating activities, before changes in non-cash operating items		(612)	(3,517)
Net change in non-cash operating items:			
Other current assets		(83)	230
Accounts payable and accrued liabilities		(133)	243
Provisions and other current liabilities		192	(185)
<hr/>			
Net cash used by operating activities		(636)	(3,229)
<hr/>			
Investing activities			
Purchase of equity investments	5	(2,045)	(3,025)
Sale of equity investments	5	1,231	-
<hr/>			
Net cash used by investing activities		(814)	(3,025)
<hr/>			
Net change in cash		(1,450)	(6,254)
<hr/>			
Effect of foreign exchange rate on cash		729	(1,289)
Cash – beginning of period		16,162	32,473
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Cash – end of period		\$ 15,441	\$ 24,930

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 six months ended June 30, 2020 and 2019

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

1. General information

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.

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 Sechura Desert in northwestern Peru.

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 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.

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. On April 28, 2020, the Company announced that it has received conditional approval from the TSXV for the Proposed COB.

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

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, 2019, 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, 2019.

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

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, 2019.

5. Equity investments

As at June 30, 2020, the Company's equity investments consist of:

Description	Number of securities		Cost	Fair Value
	Shares	Warrants		
Private equity investments:				
Quality Green Inc.	5,500,000	5,500,000	\$ 3,025	\$ 2,938
Sweet Earth Holdings Corp.	1,250,000	-	250	250
Hempfusion Inc.	240,000	120,000	397	393
1219014 B.C. Ltd.	1,000,000	-	133	136
1246780 B.C. Ltd.	5,800,000	4,000,000	1,036	1,010
	13,790,000	9,620,000	\$ 4,841	\$ 4,727
Public equity investments:				
Algernon Pharmaceuticals Inc.	8,112,800	2,000,000	\$ 867	\$ 1,884
First Responder Technologies Inc.	3,000,000	1,500,000	1,050	489
	11,112,800	3,500,000	\$ 1,917	\$ 2,373
Balance, June 30, 2020			\$ 6,758	\$ 7,100

During the six months ended June 30, 2020, the Company completed the following transactions:

- i) Purchased 2,000,000 units in the capital of Algernon Pharmaceuticals Inc. for \$0.085 per unit. 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 \$0.12 per common share for a full warrant for up to two years from the date of issue. On acquisition date, the estimated fair value of the Algernon warrants was determined to be \$78, using the Black-Scholes valuation model. The Company also exercised 5,882,400 share purchase warrants of Algernon at an average price of \$0.12. Additionally, the Company sold a total of 5,652,000 common shares of Algernon at an average price of \$0.22 per share for total proceeds of \$1,231. The Company recorded a gain on the sale of Algernon common shares of \$727. The Company and Algernon have one common director.
- ii) On March 25, 2020, the Company purchased 1,000,000 common shares in the capital of 1219014 B.C. Ltd. for a total cost of US \$100 (CAD \$133).
- iii) On April 20, 2020, the Company purchased 4,000,000 units in the capital of 1246780 B.C. Ltd. for \$0.25 per unit, each unit comprising one common share and one share purchase warrant entitling 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. On acquisition date, the estimated fair value of the warrants was determined to be \$232, using the Black-Scholes valuation model.

Additionally, on April 20, 2020, the Company purchased 1,800,000 special warrants, which has been classified as shares in the table above, in the capital of 1246780 B.C. Ltd. for \$0.02 per special warrant. Each special warrant entitles the Company to receive one common share in the capital of 1246780 B.C. Ltd., without any additional consideration, after 1246780 B.C. Ltd. goes public.

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

As at June 30, 2020, the Company estimated the fair value of the following derivative instruments using the Black-Scholes valuation model. For private equity investments, the fair value of the common shares is determined using the residual value method.

- i) The fair value of the common shares and warrants of Quality Green Inc. was determined to be \$2,563 and \$375, respectively.
- ii) The fair value of the common shares and warrants of Hempfusion, Inc. was determined to be \$362 and \$31, respectively.
- iii) The fair value of the common shares and warrants of 1246780 B.C. Ltd. was determined to be \$804 and \$206, respectively.
- iv) The fair value of the common shares and warrants of First Responder Technologies Inc. was determined to be \$480 and \$9, respectively. On January 13, 2020, First Responder became a publicly listed company. The Company and First Responder have one common director.
- v) The fair value of the common shares and warrants of Algernon Pharmaceuticals Inc. was determined to be \$1,623 and \$261, respectively.

The fair value of the derivative instruments as at June 30, 2020 was determined using the Black-Scholes option pricing model with the following inputs:

	Volatility factor	Risk-free interest rate	Expected life (years)	Expected dividend yield	Share Price
Quality Green Inc. ⁽¹⁾	100%	0.25%	0.85	0%	\$0.467
Hempfusion Inc.	100%	0.26%	2.67	0%	US \$0.965
1246780 B.C. Ltd.	100%	0.25%	1.81	0%	\$0.192
First Responder Technologies Inc.	100%	0.25%	1.13	0%	\$0.160
Algernon Pharmaceuticals Inc.	100%	0.25%	2.14	0%	\$0.200

Note:

⁽¹⁾ During the six months ended June 30, 2020, these warrants were amended to extend the expiration date from May 6, 2020 to May 6, 2021.

As at December 31, 2019, the Company's equity investments consisted of:

Description	Number of securities		Cost	Fair Value
	Shares	Warrants		
Private equity investments:				
Quality Green Inc.	5,500,000	5,500,000	\$ 3,025	\$ 2,666
Sweet Earth Holdings Corp.	1,250,000	-	250	250
First Responder Technologies Inc.	3,000,000	1,500,000	1,050	1,029
Hempfusion Inc.	240,000	120,000	397	385
	9,990,000	7,120,000	\$ 4,722	\$ 4,330
Public equity investments:				
Algernon Pharmaceuticals Inc.	5,882,400	5,882,400	\$ 500	\$ 412
	5,882,400	5,882,400	\$ 500	\$ 412
Balance, December 31, 2019			\$ 5,222	\$ 4,742

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

The fair value of the derivative instruments as at December 31, 2019 was determined using the Black-Scholes option pricing model with the following inputs:

	Volatility factor	Risk-free interest rate	Expected life (years)	Expected dividend yield	Share Price
Quality Green Inc.	100%	1.62% - 1.71%	0.35 - 1	0%	\$0.470
Hempfusion Inc.	100%	1.32% - 1.69%	3.16 - 3.5	0%	US \$0.965
First Responder Technologies Inc.	100%	1.41% - 1.71%	1.63 - 2	0%	\$0.256

6. Other current assets

	June 30, 2020	December 31, 2019
Receivable from a Peruvian state-owned company ⁽¹⁾	2,018	1,959
Other	128	104
	\$ 2,146	\$ 2,063

Note:

⁽¹⁾ In June 2019, the Peruvian state-owned company declared that the Company was in default of its obligations with respect to the Bayovar Property which triggered a penalty of US\$3.5M payable within 90 days. A performance bond of US\$5M previously held in restricted funds was redeemed in October 2019 the full amount of which was paid to the Peruvian state-owned company. The difference of US\$1.5M US between the funds sent of US\$5M and the penalty of US\$3.5M has been recorded as a receivable from the Peruvian state-owned company.

7. Payable to Peruvian Group

On January 25, 2016, APPSA, acquired the remaining 30% beneficial interest in the Bayovar Property from a 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.

During the year ended December 31, 2019, the Company received a notice of a claim filed against the Company by the Peruvian Group for payments owing from the remaining obligation under the terms of the acquisition agreement. Subsequent to June 30, 2020, the Company made a lump-sum payment of US \$700 (CAD \$954) to settle the claim.

8. Provisions and other current liabilities

	June 30, 2020	December 31, 2019
Provisions related to the Bayovar Property write-off	\$ 991	\$ 785
Other	103	117
	\$ 1,094	\$ 902

At June 30, 2020, the Company recorded provisions related to the write-off of the Bayovar Property in Peru. These provisions will be paid from the receivable due from a Peruvian state-owned company once settled (see Note 6). The provisions are as follows:

	June 30, 2020	December 31, 2019
Land use	\$ 341	\$ 325
Property taxes	503	320
Reclamation	147	140
	\$ 991	\$ 785

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

9. 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 during the six months ended June 30, 2020 and 2019.

(b) Options to purchase common shares

(i) Movement in share options

Share option activity during the six months ended June 30, 2020 and the year ended December 31, 2019 were as follows:

	June 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of the period/year	40,000	\$0.20	4,505,000	\$0.21
Options forfeited	-	-	(4,465,000)	\$0.21
Balance outstanding, end of the period/year	40,000	\$0.20	40,000	\$0.20

(ii) Share options outstanding

The following table summarizes information concerning outstanding and exercisable options of the Company at June 30, 2020:

Options outstanding	Options exercisable	Exercise price	Remaining contractual life (years)
40,000	40,000	\$0.20	1.41

The following table summarizes information concerning outstanding and exercisable options of the Company at December 31, 2019:

Options outstanding	Options exercisable	Exercise price	Remaining contractual life (years)
40,000	40,000	\$0.20	1.91

For the six months ended June 30, 2020 and 2019, no share options were granted.

(c) Warrants

As at June 30, 2020 and December 31, 2019 the Company had no warrants outstanding.

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

10. Non-controlling interest

As at June 30, 2020 and December 31, 2019, GrowMax Resources held a 95% interest in GAC with the remaining 5% interest in GAC held by non-controlling interests. The accumulated non-controlling interest of GAC at June 30, 2020 was \$2,828 (December 31, 2019 – \$2,855). As at June 30, 2020, GAC and its Peruvian subsidiary, APPSA, held \$746 (December 31, 2019 – \$1,010) of cash.

The following table summarizes financial information related to GAC, before inter-company eliminations:

	June 30, 2020		December 31, 2019	
Current assets	\$	2,793	\$	2,969
Current liabilities ⁽¹⁾		12,653		12,378
Net loss		(484)		(1,305)
Comprehensive income	\$	33	\$	127

Notes:

⁽¹⁾ Includes intercompany monetary items that are repayable on demand, but which are not expected to be repaid in the foreseeable future.

11. Other general and administrative expenses

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Employee benefits (including termination costs)	14	\$ 90	\$ 573	\$ 191	\$ 841
Insurance		-	(19)	-	(19)
Management fees	14	45	180	97	180
Professional and consulting		64	132	104	2,040
Rent	14	12	48	21	48
Travel		11	44	53	72
Other		133	460	255	601
		\$ 355	1,418	721	\$ 3,763

12. Other income (expense)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Foreign exchange gain (loss)	\$ (537)	\$ (172)	\$ 728	\$ (1,399)
Interest income	8	160	43	246
Other income (expense)	(34)	55	(23)	15
	\$ (563)	\$ 43	\$ 748	\$ (1,138)

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

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:

	June 30, 2020		December 31, 2019	
Financial assets				
<i>Amortized cost</i>				
Cash	\$	15,441	\$	16,162
Other current assets		2,146		2,063
<i>Fair value through profit or loss</i>				
Equity investments		7,100		4,742
	\$	24,687	\$	22,967
Financial liabilities				
<i>Amortized cost</i>				
Accounts payable and accrued liabilities	\$	132	\$	265
Current payable to Peruvian Group		2,044		1,948
Provisions and other current liabilities		1,094		902
	\$	3,270	\$	3,115

(b) Fair value of financial instruments

(i) Fair value estimation of financial instruments

The fair value of cash and various receivables included in other current assets, accounts payable and accrued liabilities, the payable to the Peruvian Group, and various liabilities included in other current liabilities approximate their carrying values due to the short-term maturity of the financial instruments.

(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 following is a summary of the Company's equity investments categorized in the fair value hierarchy as at June 30, 2020:

	Level 1		Level 2		Level 3		Total
Private equity investments	\$	-	\$	-	\$	4,116	\$ 4,116
Public equity investments		2,104		-		-	2,104
Derivative instruments		-		-		880	880
Balance, June 30, 2020	\$	2,104	\$	-	\$	4,996	\$ 7,100

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

The following is a summary of the Company's equity investments categorized in the fair value hierarchy as at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Private equity investments	\$ -	\$ -	\$ 4,075	\$ 4,075
Public equity investments	323	-	-	323
Derivative instruments	89	-	255	344
Balance, December 31, 2019	\$ 412	\$ -	\$ 4,330	\$ 4,742

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 private 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. During the six months ended June 30, 2020, there was a transfer of the First Responder equity investments from level 3 to level 1 on January 13, 2020 due to the company becoming a public entity and the fair value of the investment has a quoted price.

(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. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at June 30, 2020, the Company's head office held US\$10,348 (December 31, 2019 – US\$10,656) of U.S. dollar cash.

The Company estimates that a 5% weakening of the Canadian dollar at June 30, 2020 would have decreased the Company's reported net loss for the six months ended June 30, 2020 by approximately US\$517 (relates to U.S. dollar financial instruments held at head office). A 5% strengthening of the Canadian dollar at June 30, 2020 would have had an equal but opposite effect.

(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.

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

As at June 30, 2020, the majority of the Company's cash is held with a financial institution in Canada that was assigned a long-term issuer default rating of AAA (Fitch Ratings).

The Company is exposed to credit risk arising from receivables from a Peruvian state-owned company. The carrying amount of the receivables from Peruvian state-owned company represent 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. All of the Company's financial liabilities are short-term and without fixed terms of repayment.

To date, the Company has relied on cash flows from operations, equity and debt financing, and sale of assets 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 \$710 decrease in net income and comprehensive income for the six months ended June 30, 2020.

14. 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:

	Six months ended June 30,			
		2020		2019
Short-term employee benefits ⁽¹⁾	\$	153	\$	573
Professional fees		6		-
Rent		21		-
	\$	180	\$	573

Notes:

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

As at June 30, 2020, accounts payable and accrued liabilities includes \$25 (December 31, 2019 – \$nil) payable to key management personnel and/or companies owned directly or indirectly by key management personnel.

Amounts due to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

GrowMax Resources Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020 and 2019

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

15. Contingencies

During the year ended December 31, 2019, the Company received two notices of claims filed against the Company by former consultants for payments owing for unpaid salaries and other labour benefits. The Company is defending the claims vigorously. Management considers any claims against the Company to be without merit and accordingly no amounts have been accrued.

During the six months ended June 30, 2020, the Company received a claim filed against the Company from a third party for penalties in regards to the Bayovar Project. The Company is defending this claim and considers the claim to be without merit and accordingly no amounts have been accrued.

Subsequent to the six months ended June 30, 2020, the Company settled a claim filed against the Company by a former consultant for payments owing under a rights transfer agreement made between the Company, its Peruvian subsidiary and the consultant. Refer to Note 7.

16. Capital management

Due to the change of business in 2019, the Company's new objectives in managing liquidity and capital are to safeguard the Company's ability to continue as a going concern and provide the financial capacity to meet its strategic objectives. The Company defines its capital as equity attributable to owners of the Company, excluding accumulated other comprehensive income. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt and/or acquire or dispose of assets to facilitate the management of its capital requirements. The Company's investment policy is to invest in equity, debt and/or convertible securities, with the intention to hold both for long-term capital appreciation and shorter-term gains. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The Company's board of directors approves the annual and updated budgets.

The Company is not subject to any external imposed capital requirements and there were not changes in the Company's capital management during the six months ended June 30, 2020.

17. Segment disclosure

The Company has one operating segment, being mineral exploration. However, the Company is in the process of changing its business to the acquisition and sale of investments in other companies.

18. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

The duration and impact of the COVID-19 outbreak is unknown as to how it would impact the Company's investments, therefore it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.