

GROWMAX RESOURCES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

1.0 INTRODUCTION AND OVERVIEW

This management's discussion and analysis ("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 audited consolidated financial statements as at and for the year ended December 31, 2019. Except as otherwise indicated or where the context so requires, references to "Growmax" or the "Company" include Growmax Resources Corp. and its 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.

The Company's financial statements are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's functional currencies are Canadian dollar for Growmax's head office operations and U.S. dollar for GAC and APPSA.

This MD&A is based on information available up to June 12, 2020, 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: 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.

See section "7.0: BUSINESS RISK FACTORS" for information on risk factors associated with Growmax's business.

See section "8.0: 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 a 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 channelled 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.

In addition, the Company received a notice of 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. The Company is defending the claim based on breach of agreement and has filed a statement of defense and a counter-claim. Management considers any claim against the Company to be without merit and accordingly no amounts have been accrued.

Cash and Working Capital

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

<u>(\$ in thousands, except per share amounts)</u>	December 31, 2019	December 31, 2018
Cash and cash equivalents	16,162	32,473
Working capital ⁽¹⁾	19,852	32,636

Notes:

⁽¹⁾ Working capital is calculated as current assets (December 31, 2019 - \$24,913; December 31, 2018 - \$41,780), less current liabilities (December 31, 2019 - \$3,115; 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 year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

The following table sets forth selected financial data of the Company for each of the last three completed financial years ended December 31 (for additional information, please see section 1.2):

<u>(\$ in thousands, except per share amounts)</u>	December 31, 2019	December 31, 2018	December 31, 2017
Cash and cash equivalents	16,162	32,473	39,157
Working capital	19,852	32,636	39,560
Total assets	22,967	41,866	102,110
Total liabilities	3,115	9,144	15,144
Long term debt	-	-	-
Shares outstanding	213,925,645	213,925,645	213,925,645
Dividends paid	-	-	-
Total revenue	-	-	-
Net loss attributable to Owners of the Company	6,509	54,279	4,934
Basic and diluted loss per share attributable to Owners of the Company	0.03	0.24	0.04

Exploration and evaluation assets	-	-	48,684
Equity investments	4,742	-	-

The net loss attributable to Owners of the Company of \$54,279 for the year ended December 31, 2018 was mainly a result of the write off of net exploration and evaluation assets and the reversal of provisions for onerous contracts.

The change in cash balance of \$16,162 as at December 31, 2019 from the cash balance of \$32,473 as at December 31, 2018, was mainly a result of a return of capital of \$6,417 to shareholders, the purchase of equity investments of \$5,222 and the payment of US\$3.5 million to a Peruvian state-owned company which was primarily related to penalties that were payable due to the shortfall on the investment commitment for the Bayovar Property (see “Exploration and evaluation assets write-off” section below) for the year ended December 31, 2019.

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

Summary of Quarterly Results

<u>(\$ in thousands, except per share amounts)</u>	<u>Dec 31-19</u>	<u>Sep 30-19</u>	<u>Jun 30-19</u>	<u>Mar 31-19</u>	<u>Dec 31-18</u>	<u>Sep 30-18</u>	<u>Jun 30-18</u>	<u>Mar 31-18</u>
Net income (loss) attributable to Owners of the Company	(2,815)	1,095	(1,276)	(3,513)	(49,971)	(4,921)	(151)	314
Basic and diluted earnings (loss) per share attributable to Owners of the Company	(0.01)	0.01	(0.01)	(0.02)	(0.22)	(0.02)	(0.00)	0.00
Exploration and evaluation assets	-	-	-	-	-	53,613	53,890	51,519
Net exploration and evaluation assets write off	-	-	-	-	(49,168)	-	-	-
Equity investments	4,742	4,494	3,025	-	-	-	-	-

The net loss attributable to Owners of the Company of \$49,971 for the quarter ended December 31, 2018, was mainly a result of the write off of net exploration and evaluation assets and the reversal of provisions for onerous contracts.

The net loss of \$3,513 for the quarter ended March 31, 2019, was mainly the result of expensing payments for accruals made as at December 31, 2018.

The net income of \$1,095 for the quarter ended September 30, 2019, was the result of reversing those payments made in the quarter ended March 31, 2019 that were expensed and applying them against the accruals made at December 31, 2018.

The net loss of \$2,815 for the quarter ended December 31, 2019, was mainly the result of the write-off of the full balance of the loan (principal plus accrued interest) to Fertimar Mineração e Navegação Ltda.

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:

<u>(\$ in thousands)</u>	<u>Dec 31-19</u>	<u>Sep 30-19</u>	<u>Jun 30-19</u>	<u>Mar 31-19</u>	<u>Dec 31-18</u>	<u>Sep 30-18</u>	<u>Jun 30-18</u>	<u>Mar 31-18</u>
<u>General & administrative expense:</u>								
Depreciation	(75)	(2)	(2)	(3)	(2)	(4)	(5)	(6)
Stock-based compensation expense	-	-	-	-	(10)	(13)	(9)	(17)
Other general and administrative	(674)	582	(1,328)	(2,345)	(1,201)	(1,880)	(896)	(713)
<u>Other income (expense):</u>								
Gain (loss) on sale of available-for-sale financial assets	-	-	-	-	(1)	-	-	(36)
Gain (loss) on fair value through profit or loss financial instruments	-	-	-	-	593	(432)	(142)	(319)
Foreign exchange gain (loss)	(45)	381	(172)	(1,227)	1,789	(729)	911	1,157

Interest income	174	88	160	86	245	169	170	160
Other income (expense)	(13)	245	55	(40)	(84)	5	4	-
Income tax recovery (expense)	-	-	-	-	1,483	(131)	(206)	71

Other general and administrative expenses consists of employee benefits, insurance, management fees, professional and consulting fees, rent, travel and other expenses.

The other general and administrative expense of \$1,880 for the quarter ended September 30, 2018, was mainly a result of professional and consulting fees. These related to the potential acquisition of Fertimar and the requisition notice received from Bullrun Capital Inc.

The other general and administrative expense of \$1,201 for the quarter ended December 31, 2018, was mainly a result of professional and consulting fees incurred as a result of the proxy fight with Bullrun Capital Inc.

The other general and administrative expense of \$2,345 for the quarter ended March 31, 2019, was mainly a result of expensing inadvertently expense payments professional and consulting fees which were accrued for at December 31, 2018.

The other general and administrative expense of \$1,328 for the quarter ended June 30, 2019, was mainly a result of employee related termination costs.

The other general and administrative gain of \$582 for the quarter ended September 30, 2019, was mainly a result of reversing professional and consulting payments which were inadvertently expensed in the quarter ended March 31, 2019.

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

Other income or expense consists of gain or loss on marketable securities, gain or loss on fair value through profit or loss on financial instruments and other income.

Other expense of \$84 for the quarter ended December 31, 2018, was mainly the result of loss on fair value through profit or loss of \$300 as the Company recognized losses related to deferred payments primarily a result of (i) changes in the discount rates and (ii) the passage of time.

Other income of \$245 for the quarter ended September 30, 2019, was mainly due to management fees received related to the Company's investment in Quality Green.

3.0 OVERALL PERFORMANCE

Working capital

At December 31, 2019, the Company had a consolidated working capital position of \$19.9 million. The decrease in working capital from December 31, 2018 (\$32.6 million) can be attributed primarily to the net effect of the following:

- \$3.8 million of general and administrative expenses (see "General and Administrative Expenses" section below for details);
- \$1.1 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;
- \$0.5 million of interest income;
- \$0.2 million of miscellaneous income; and
- \$6.4 million 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 (December 31, 2019 – \$23.0 million; December 31, 2018 – \$41.8 million), less current liabilities (December 31, 2019 - \$3.1 million; December 31, 2018 – \$9.1 million).

Cash and cash equivalents

Operating activities

During the year ended December 31, 2019, the Company used \$10.0 million (2018 – \$5.4 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 year ended December 31, 2019 is attributable to general and administrative expenses (see "General

and Administrative Expenses” section below) and the payment of US\$3.5 million to a Peruvian state-owned company which was primarily related to penalties that were payable due to the shortfall on the investment commitment for the Bayovar Property (see “Exploration and evaluation assets write-off” section below).

Investing activities

During the year ended December 31, 2019, the Company generated \$1.3 million (2018 – used \$4.1 million) for investing activities. The outflow of cash during the year ended December 31, 2019 for investing activities is attributable to purchase of equity investments (see “Equity Investments” section below).

Financing activities

During the year ended December 31, 2019, the Company used \$6.4 million (2018 – \$nil), for financing activities. The outflow of cash during the year ended December 31, 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 year ended December 31, 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) 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.
- (4) 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
- (5) 5,882,000 units in the capital of Algernon Pharmaceuticals Inc. (“Algernon”) at a cost of \$500. Each unit consists of one common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at an exercise price of \$0.12 per common share for a full warrant for a period of 30 months following the date of issue.

Quality Green is a licensed cultivator of marijuana based in Ontario. Founded in 2013, Quality Green strives for the perfect trifecta of optimized production efficiency, best practices, and standards, to result in the finest product. With an extensive expansion plan and a clear vision across all channels of their business, Quality Green is poised to capture vast opportunities within the cannabis space. With considerable momentum and a team focused on delivering on strategy and innovation, Quality Green demonstrates its commitment to owning its position as a leading cannabis producer.

Sweet Earth is a licensed cultivator of hemp having in excess of 1,000 acres of hemp cultivation capacity with 100 acres currently seeded and growing. In addition to cultivation, Sweet Earth has full extraction capacity and equipment and a suite of proprietary hemp-based CBD products. Sweet Earth currently has active cultivation in Oregon State, USA, and has agreement to acquire cultivation lands in California, USA, Colombia, and Spain. Sweet Earth has an experienced management team having over 25 years’ experience in cultivation.

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 that empower first responders to react effectively and efficiently in emergencies. The Company completed its IPO on January 13, 2020 and is listed on the CSE under the symbol “WPN”.

Hempfusion is a premium CBD Wellness brand with distribution to over 3,400 retailers across 47 states in the USA.

Hempfusion is engaged in the advancement of therapeutic benefits of industrial hemp extract while maintaining the highest level of compliance in the industry. Hempfusion's wide variety of 30 products are sourced from only the highest quality phyto-compounds manufactured under the strictest cGMP standards to achieve maximum efficacy and safety. Hempfusion's primary focus is formulating and marketing premium consumer specific product lines with various delivery methods, across multiple distributor platforms. The Company's products are based on proprietary Whole Food Hemp Complex and are available through independently owned and national chain health food stores.

Algernon is a clinical stage pharmaceutical development company focused on developing repurposed therapeutic drugs in the areas of non-alcoholic steatohepatitis ("NASH"), a type of liver disease, chronic kidney disease ("CKD"), inflammatory bowel disease ("IBD") and idiopathic pulmonary fibrosis ("IPF") and chronic cough. Drug repurposing (also known as re-profiling, re-tasking or therapeutic switching) is the application of approved drugs and compounds to treat a different disease than that for which it was originally developed. All the research and development work is carried out by the Company's 100% Canadian owned subsidiary, Nash Pharmaceuticals Inc. ("Nash Pharma"). Through its ongoing research programs, Nash Pharma is seeking to minimize investment and drug development risk by taking advantage of regulatory approved drugs and discovering alternative clinical uses by accelerating entry into phase II clinical trials (human). The Company is listed on the CSE under the symbol "AGN".

The Investments in Quality Green, Sweet Earth, First Responder, Hempfusion and Algernon 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 \$nil at December 31, 2019 (December 31, 2018 - \$6.8 million) related 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 and was redeemed in June 2019 to fulfill its obligations with respect to the Bayovar Property ((see "Exploration and evaluation assets write-off" section below).

Other current assets

A breakdown of other current assets follows:

(\$ in thousands)	December 31, 2019	December 31, 2018
Loan to Fertimar Mineração e Navegação Ltda. ⁽¹⁾	-	1,800
Directors and Officers insurance claim	-	388
Receivable from a Peruvian state-owned company ⁽²⁾	1,959	-
Other	104	298
	2,063	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 December 31, 2019, loan principal and accrued interest which was due on September 23, 2019. During the year ended, December 31, 2019, the full balance of the loan of \$1,946 (principal plus accrued interest) is determined to be uncollectible and thus written off.

⁽²⁾ 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 \$3.5M USD payable within 90 days. The performance bond of \$5M USD 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 \$1.5M USD between the funds sent of \$5M USD and the penalty of \$3.5M USD has been recorded as a receivable from the Peruvian state-owned company.

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 (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 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 December 31, 2018, an onerous contracts provision was recognized in the amount of \$5,042. This primarily related to penalties that were payable due to the shortfall on the investment commitment. 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\$3.5 million payable within 90 days. The performance bond of US \$5.0 million 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\$1.5 million between the US\$5.0 million paid to the Peruvian state-owned company and the penalty of US\$3.5 million has been recorded as a receivable from the Peruvian state-owned company.

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 December 31, 2019, the Company classified \$1,948 (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		Year ended	
	December 31, 2019	2018	December 31, 2019	2018
Employee benefits (including termination costs)	131	373	1,146	1,545
Insurance	-	11	107	42
Management fees	33	-	155	-
Professional and consulting	214	751	1,135	2,495

Rent	8	17	79	62
Travel	24	28	129	220
Other	264	21	1,014	326
	674	1,201	3,765	4,690

The decrease in employee benefits (including termination costs) for the three months and year ended December 31, 2019, was mainly due to the termination or resignation of all employees of the Company in April 2019. The comparable period in 2018 includes a full quarter and year of expenses.

The increase in insurance for the year ended December 31, 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 payment was made for the comparable period in 2018.

The increase in management fees for the three months and year ended December 31, 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 decrease in professional and consulting fees for the three months and year ended December 31, 2019 compared to 2018 was mainly a result of professional and consulting fees incurred in 2018 as a result of the proxy fight with Bullrun Capital Inc. Similar costs were not incurred in 2019.

Other Income (Expense)

A breakdown of other income (expense) follows:

(\$ in thousands)	Three months ended		Year ended	
	December 31, 2019	2018	December 31, 2019	2018
Loss on sale of marketable securities	-	(1)	-	(37)
Gain (loss) on fair value through profit or loss financial instruments	-	593	-	(300)
Foreign exchange gain (loss)	(45)	1,789	(1,063)	3,128
Interest income	174	245	508	744
Other income (expense)	(13)	(84)	247	(75)
	116	2,542	(308)	3,460

The loss on fair value through profit or loss from financial instruments for the three months and year ended December 31, 2018, was due to the impact of adopting IFRS 9 on January 1, 2018.

Foreign exchange gain (loss) reflects the impact of changes in exchange rates on foreign denominated financial instruments. For the three months and year ended December 31, 2019, the Company recognized \$45 (2018 – \$1,789 foreign exchange gain) and \$1,063 of foreign exchange losses respectively (2018 – \$3,128 of foreign exchange gains). The foreign exchange gains and 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 consolidated statement of income (loss) as well as the other comprehensive income (loss) reported on the consolidated statement of comprehensive income (loss).

The decrease in interest income for the three months and year ended December 31, 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 more information regarding the Company’s use of cash.

The increase in other income for the year ended December 31, 2019, was mainly due to management fees received related to the Company’s investment in Quality Green. Please see the “Equity investments” section for more information.

Other Comprehensive Income (Loss)

During the year ended December 31, 2019, the Company reported other comprehensive profit of \$0.1 million (2018 – \$3.8 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)	Year ended December 31,	
	2019	2018
Short-term employee benefits ⁽¹⁾	709	1,243
Rent	30	-
Professional and consulting fees	11	-
Stock-based compensation expense	-	48
	750	1,291

Notes:

⁽¹⁾ Includes directors' fees, consulting fees, management fees, termination benefits, salaries and bonuses. Also includes amounts for former directors, former CFO and former CEO.

Financial instruments and financial risk management

(a) Categories of financial instruments

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

	December 31,		December 31,	
	2019		2018	
Financial assets				
Amortized cost				
Cash	\$	16,162	\$	32,473
Restricted investments		-		6,821
Other current assets		2,063		2,486
Fair value through profit or loss				
Equity investments		4,742		-
	\$	22,967	\$	41,866
Financial liabilities				
Amortized cost				
Accounts payable and accrued liabilities	\$	265	\$	1,978
Current payable to Peruvian Group		1,948		2,047
Provisions and other current liabilities		902		5,119
	\$	3,115	\$	9,144

(b) Fair value of financial instruments

(i) Fair value estimation of financial instruments

The fair value of cash, restricted investments, 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.

(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 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

As at December 31, 2018, the Company did not hold any equity investments.

The Company is responsible for performing the valuation of fair value measurements included in the consolidated 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.

Liquidity

As at December 31, 2019, the Company had consolidated cash and cash equivalents of \$16.2 million (December 31, 2018 – \$32.5 million) and a consolidated working capital position of \$19.9 million (December 31, 2018 – \$32.6 million). See section 3 for information regarding the change in cash and cash equivalents and the change in working capital during the years ended December 31, 2019 and 2018.

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, 2019. For further information, see note 3 of the Company's audited annual consolidated financial statements for the year ended December 31, 2019.

On January 1, 2019, the Company adopted IFRS 16 *Leases* ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The adoption of IFRS 16 did not have a material impact on the Company's consolidated financial statements as the Company has no long-term leases.

4.0 OTHER INFORMATION AND ADVISORIES

Disclosure of Outstanding Share Data

As at December 31, 2019 and the date of this MD&A, the Company has the following securities outstanding:

Description of Security	Number of Securities Outstanding
Common shares	213,925,645
Stock options	40,000

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 year ended December 31, 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 December 31, 2019.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

5.0 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.

6.0 SUBSEQUENT EVENTS

On February 19, 2020, the Company subscribed to 2,000,000 units, each unit comprising of one common share and one share purchase warrant, of Algernon Pharmaceuticals Inc. (“Algernon”) for \$0.085 per unit. Additionally, subsequent to the year end the Company sold a total of 5,257,500 common shares of Algernon at an average price of \$0.21 per share and purchased 5,882,400 common shares of Algernon at an average price of \$0.12 per share.

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\$100,000.

On April 20, 2020, the Company purchased 4,000,000 units in the capital of 1246780 B.C. Ltd. for a total cost of \$1,000,000. Each unit consists of one common share and one 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.

Additionally, the Company purchased 1,800,000 shares in the capital of 1246780 B.C. Ltd. for a total cost of \$36,000.

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 at this time, as is the efficacy of the government and central bank interventions. 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.

7.0 BUSINESS RISK FACTORS

Risks associated with winding down of operations in Peru

As at December 31, 2018 the Company wrote off the E&E assets and some related accounts. Therefore, the risks previously relating to operating a business in Peru are not applicable. There are some remaining risks relating to the wind

down of operations in Peru and finalizing the agreements with the applicable Peruvian governmental agencies. The write down had a material impact on the annual consolidated financial statements for the year ended December 31, 2018.

Exploration, development and production risks

Exploration and development of minerals are highly speculative and involve a significant degree of risk. There is no certainty that exploration of the properties in which Growmax holds rights will lead to a discovery of reserves or, if there is a discovery of reserves, that Growmax will be able to realize the reserves. Growmax made the decision to write off the E&E assets at December 31, 2018.

Non-fulfillment of commitments

As a result of the execution of the Transfer Agreement, the Company has commitments/obligations related to its potash project. The Company, with its decision to write off the E&E assets, will need to finalize any penalties relating to the shortfall on the investment commitment

The Company's restricted investments balance at December 31, 2018 related to a US\$5.0 million performance bond posted for commitments in Peru. The performance bond was required to be posted upon execution of the Transfer Agreement. The performance bond was foreclosed and the Transfer Agreement terminated as a result of the write off of the E&E assets which resulted in the not achieving the capital cost investment and/or the minimum production commitments. The Company provided for additional costs associated with not fulfilling the investment commitments/obligations. There is no assurance the onerous contract provision will be covered in full by the performance bond posted in Peru.

Economic, political and legal risk

Growmax's properties are located in Peru, a country that has, in the past, experienced both political and social unrest, changes in government (federal and provincial) and changes in government policy regarding, among other things, commodity pricing, rights to concessions/land, production, export controls, environmental legislation, land use, water use, workplace safety, monetary policy, foreign exchange and taxation. Changing political aspects may affect the regulatory environments in which the Company operates and no assurances can be given that the Company's plans and operations will not be adversely affected by future developments. As the Company transitions out of Peru some of these risks remain even though operations have wound down.

Peru's history since the mid-1980s has been one of political and economic instability under both democratically elected and dictatorial governments. These governments have frequently intervened in the national economy and social structure, including periodically imposing various controls, the effects of which have been to restrict the ability of both domestic and foreign companies to freely operate. Labour in Peru is customarily unionized and there are risks associated with winding down of operations including personnel.

As of the date of this document, Growmax is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Without such insurance, and if Growmax becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds available to the Company to pay such liabilities and result in bankruptcy. Should the Company be unable to fully fund the remedial cost of an environmental problem that arises, it might be required to enter into interim compliance measures pending completion of the required remedy.

Risks associated with change of business

The following are certain factors relating to the business of the Company assuming completion of the Change of Business. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deem immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Company.

No Assurance of TSXV Approval

The Change of Business constitutes a "Change of Business" pursuant to the policies of the TSXV. As of the date of this Filing Statement, the TSXV has not provided conditional approval of the Change of Business, and such approval is

necessary to consummate the Change of Business. There can be no assurance that the Company will be able to satisfy the requirements of the TSXV such that the TSXV will provide approval of the Change of Business and issue the Final TSXV Bulletin.

No Operating History as an Investment Issuer

The Company does not have any record of operating as an investment issuer or undertaking merchant banking operations. As such, upon completion of the Change of Business, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its financial objectives as estimated by management or at all. Furthermore, past successes of management or the Board does not guarantee future success.

Portfolio Exposure and Sensitivity to Macro-Economic Conditions

Given the nature of the Company's proposed investment activities, the results of operations and financial condition of the Company will be dependent upon the market value of the securities that will comprise the Company's investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect a particular sector. Various factors affecting a sector could have a negative impact on the Company's portfolio of investments and thereby have an adverse effect on its business. Additionally, the Company may invest in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. This may create an irregular pattern in the Company's investment gains and revenues (if any).

Macro factors such as fluctuations in commodity prices and global political and economic conditions could also negatively affect the Company's portfolio of investments. The Company may be adversely affected by the falling share prices of the securities of investee companies; as such, share prices may directly and negatively affect the estimated value of the Company's portfolio of investments. Moreover, company-specific risks could have an adverse effect on one or more of the investments that may comprise the portfolio at any point in time. Company-specific and industry-specific risks that may materially adversely affect the Company's investment portfolio may have a materially adverse impact on operating results. The factors affecting current macro-economic conditions are beyond the control of the Company.

Cash Flow and Revenue

Assuming completion of the Change of Business, it is expected that the Company's revenue and cash flow will be generated primarily from financing activities, dividends and/or royalty payments on investments and proceeds from the disposition of investments. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in market conditions generally or to matters specific to the Company, or if the value of its investments decline, resulting in losses upon disposition.

Private Issuers and Illiquid Securities

The Company may invest in securities of private issuers, illiquid securities of public issuers and publicly-traded securities that have low trading volumes. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Company and there is no assurance that an adequate market will exist for investments made by the Company. Many of the investments made by the Company may be relatively illiquid and may decline in price if a significant number of such investments are offered for sale by the Company or other investors.

Volatility of Stock Price

The market price of the Common Shares have been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

Trading Price of the Common Shares Relative to Net Asset Value

Assuming completion of the Change of Business, the Company will neither be a mutual fund nor an investment fund and, due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of the Common Shares, at any time, may vary significantly from the Company's net asset value per Common Share. This risk is separate and distinct from the risk that the market price of the Common Shares may decrease.

Available Opportunities and Competition for Investments

Assuming completion of the Change of Business, the success of the Company's operations will depend upon, among other things: (a) the availability of appropriate investment opportunities; (b) the Company's ability to identify, select, acquire, grow and exit those investments; and (c) the Company's ability to generate funds for future investments. The Company can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Company, will have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can also be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

Share Prices of Investments

Investments in securities of public companies are subject to volatility in the share prices of such companies. There can be no assurance that an active trading market for any of the subject shares comprising the Company's investment portfolio is sustainable. The trading prices of such subject shares could be subject to wide fluctuations in response to various factors beyond the Company's control, including, but not limited to, quarterly variations in the subject companies' results of operations, changes in earnings, results of exploration and development activities, estimates by analysts, conditions in the resource industry and general market or economic conditions. In recent years, equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments.

Concentration of Investments

Other than as described herein, assuming completion of the Change of Business, there are no restrictions on the proportion of the Company's funds and no limit on the amount of funds that may be allocated to any particular investment. The Company may participate in a limited number of investments and, as a consequence, its financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly concentrated investment in a particular company or geographic area, resulting in the performance of the Company depending significantly on the performance of such company or geographic area.

Dependence on Management, Directors and Investment Committee

The Company will be dependent upon the efforts, skill and business contacts of key members of management and the Board for, among other things, the information and deal flow they generate during the normal course of their activities and the synergies that exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success may depend upon the continued service of these individuals to the Company. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm its ability to maintain or grow assets and raise funds.

From time to time, the Company will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If the Company is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

Additional Financing Requirements

The Company may have ongoing requirements for funds to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or debt financing. There are no assurances that additional funding will be available at all, on acceptable terms or at an acceptable level. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on its ability to grow its investment portfolio.

No Guaranteed Return

There is no guarantee that an investment in the securities of the Company will earn any positive return in the short-term or long-term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. The past performance of management of the Company provides no assurance of its future success.

Due Diligence

The due diligence process undertaken by the Company in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Company will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company will rely on resources available, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Exchange Rate Fluctuations

Assuming completion of the Change of Business, it is anticipated that a proportion of the Company's investments will be made in Canadian dollars and the Company may also invest in securities denominated or quoted in U.S. dollars or other foreign currencies. Changes in the value of the foreign currencies in which the Company's investments are denominated could have a negative impact on the ultimate return on its investments and overall financial performance.

Non-Controlling Interests

The Company's investments are likely to consist only of debt instruments and equity securities of companies that it does not control. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or the management of the investee company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of the Company's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

Potential Conflicts of Interest

Certain of the directors and officers of the Company are or may, from time to time, be involved in other financial investments and professional activities that may on occasion cause a conflict of interest with their duties to the Company. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to the Company or companies in which the Company may invest, management of investment funds, purchases and sales of securities and investment and management counselling for other clients. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's results of operations and financial condition.

Potential Transaction and Legal Risks

The Company intends to manage transaction risks through allocating and monitoring its capital investments in circumstances where the risk to its capital is minimal, carefully screening transactions, and engaging qualified personnel to manage transactions, as necessary. Nevertheless, transaction risks may arise from the Company's investment activities. These risks include market and credit risks associated with its operations. An unsuccessful investment may result in the total loss of such an investment and may have a material adverse effect on the Company's business, results of operations, financial condition and cash flow.

The Company may also be exposed to legal risks in its business, including potential liability under securities or other laws and disputes over the terms and conditions of business arrangements. The Company also faces the possibility that counterparties in transactions will claim that it improperly failed to inform them of the risks involved or that they were not authorized or permitted to enter into such transactions with the Company and that their obligations to the Company are not enforceable. During a prolonged market downturn, the Company expects these types of claims to increase. These risks are often difficult to assess or quantify and their existence and magnitude often remains unknown for substantial periods of time. The Company may incur significant legal and other expenses in defending against litigation involved with any of these risks and may be required to pay substantial damages for settlements and/or adverse judgments. Substantial legal liability or significant regulatory action against the Company could have a material adverse effect on its results of operations and financial condition.

General business risks

Foreign currency risk

Growmax operates in different countries and enters into transactions in different currencies. In particular, Growmax currently conducts business in Peruvian Soles, U.S. dollars and Canadian dollars. The Company holds cash and

investments in these various currencies and often converts its holdings into other currencies. Accordingly, the Company is exposed to foreign currency risks due to fluctuations in exchange rates.

Results to date and additional requirement for capital

Growmax has a relatively short history and has incurred significant losses to date. Due to the nature of its business, there can be no assurance that Growmax will be profitable in the future. Growmax has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Growmax may need to raise additional capital in the future to fund the expected capital requirements on future investments. The future of Growmax may therefore be dependent upon its ability to raise the required funding in the form of equity, debt, joint ventures, or a combination thereof. Growmax has limited debt capacity and therefore a significant part of its future may need to be financed primarily through equity or third-party joint ventures, though some debt may be obtained. There is no assurance that additional financing will be available and, if available, on terms acceptable to Growmax. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities.

Substantial capital requirements

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

Dependence on key personnel

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

Share price volatility

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

Conflicts of interest

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

Management of growth

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

Future sales of common shares by the company

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company or negatively affect the market price of the Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of the preferred shares and the price and the terms of issue

of further issuances of Common Shares. Also, additional Common Shares will be issued by the Company on the exercise of stock options under the Company's stock option plan, or pursuant to other share compensation arrangements.

Reliance on attracting and retaining qualified personnel

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

Third party credit risk

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

8.0 FORWARD LOOKING INFORMATION

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

This MD&A contains "forward-looking statements". Forward-looking statements reflect the Company's current views with respect to future events, are based on information currently available to the Company and are subject to certain risks, uncertainties, and assumptions, including those discussed elsewhere in this MD&A. Forward-looking statements include, but are not limited to, statements with respect to the success of mining exploration work, title disputes or claims, environmental risks, unanticipated reclamation expenses, the estimation of mineral reserves and resources and capital expenditures. In certain cases, forward-looking statements can be identified by the use of words such as "intends", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes", or various of such words and phrases or state certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ. Such factors include, among others, risks related to actual results of current exploration activities, changes in project parameters as plans are refined over time, the future price of gold and other precious or base metals, possible variations in minerals resources, grade or recovery rates, accidents, labour disputes, title disputes and other risks of the mining industry, fluctuation of currency exchange rates, delays in obtaining, or inability to obtain, required governmental approvals or financing or in the completion of development or construction activities, claims limitations on insurance coverage, as well as other factors discussed under "Risk Factors". Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained in this MD&A are made as of the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not assume the obligations to update forward-looking statements, except as required by applicable law.