



GROWMAX RESOURCES CORP.
Annual Consolidated Financial Statements
December 31, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GROWMAX RESOURCES CORP.

Opinion

We have audited the consolidated financial statements of GrowMax Resources Corp. (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at December 31, 2019;
- ♦ the consolidated statements of loss for the year then ended;
- ♦ the consolidated statements of comprehensive loss for the year then ended;
- ♦ the consolidated statements of changes in equity for the year then ended;
- ♦ the consolidated statements of cash flows for the year then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company as at and for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 23, 2019.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 12, 2020

GrowMax Resources Corp.

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Note	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash		\$ 16,162	\$ 32,473
Equity investments	5	4,742	-
Restricted investments	12	-	6,821
Other current assets	6	2,063	2,486
Total current assets		22,967	41,780
Non-current assets			
Property, plant and equipment	8	-	86
Total assets		\$ 22,967	\$ 41,866
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 265	\$ 1,978
Payable to Peruvian Group	7, 9	1,948	2,047
Provisions and other current liabilities	10	902	5,119
Total liabilities		3,115	9,144
Equity			
Share capital	11	214,211	220,628
Contributed surplus		39,195	39,220
Accumulated other comprehensive income		3,445	3,324
Deficit		(239,854)	(233,370)
Equity attributable to owners of the Company		16,997	29,802
Non-controlling interest	12	2,855	2,920
Total equity		19,852	32,722
Total liabilities and equity		\$ 22,967	\$ 41,866
Contingencies	19		

Approved by the Board of Directors on June 12, 2020.

Signed:
"Kulwant Malhi"

Director

Signed:
"Michael Sadhra"

Director

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

GrowMax Resources Corp.

Consolidated Statements of Loss

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

	Note	Years ended December 31,	
		2019	2018
General and administrative expenses			
Depreciation	8	\$ (82)	\$ (17)
Stock-based compensation		-	(49)
Other general and administrative	13	(3,765)	(4,690)
		(3,847)	(4,756)
Other income (expense)	14	(308)	3,460
Net exploration and evaluation assets write off	7	-	(49,168)
Onerous contracts provision	7	-	(5,042)
Fair value loss on equity investments	5	(480)	-
Write-off of loan receivable	6	(1,946)	-
Loss before income tax		(6,581)	(55,506)
Income tax recovery (expense)	15	-	1,217
Net loss from continuing operations		(6,581)	(54,289)
Net loss from discontinued operations, net of income tax	22	-	(3,387)
Net loss for the year		\$ (6,581)	\$ (57,676)
Attributable to:			
Owners of the Company		\$ (6,509)	\$ (54,729)
Non-controlling interest		(72)	(2,947)
		\$ (6,581)	\$ (57,676)
Earnings (loss) per share attributable to owners of the Company			
Basic and diluted		(0.03)	(0.24)
Earnings (loss) per share from continuing operations attributable to owners of the Company			
Basic and diluted		(0.03)	(0.26)
Earnings (loss) per share from discontinued operations attributable to owners of the Company			
Basic and diluted		-	(0.02)
Weighted average number of common shares outstanding			
Basic and diluted		213,925,645	213,925,645

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

GrowMax Resources Corp.

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of Canadian dollars)

	Note	Years ended December 31,	
		2019	2018
Net loss for the year		\$ (6,581)	\$ (57,676)
Other comprehensive income (loss), net of tax			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		121	3,563
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translating non-controlling interest		7	196
Comprehensive loss for the year		(6,453)	(53,917)
Attributable to:			
Owners of the Company		(6,388)	(51,166)
Non-controlling interest		(65)	(2,751)
		\$ (6,453)	\$ (53,917)
Total comprehensive loss for the year attributable to owners of the Company arises from:			
Continuing operations		\$ (6,388)	\$ (47,779)
Discontinued operations		-	(3,387)
		\$ (6,388)	\$ (51,166)

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

GrowMax Resources Corp.

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)

	Number of Shares	Share Capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Equity attributable to owners of the Company \$	Non- controlling interest \$	Total equity \$
Balance – December 31, 2017	213,925,645	220,628	39,171	(239)	(178,641)	80,919	5,671	86,590
Net loss	-	-	-	-	(54,729)	(54,729)	(2,947)	(57,676)
Other comprehensive income	-	-	-	3,563	-	3,563	196	3,759
Total comprehensive income (loss)	-	-	-	3,563	(54,729)	(51,166)	(2,751)	(53,917)
Share-based payments – options	-	-	49	-	-	49	-	49
Balance – December 31, 2018	213,925,645	220,628	39,220	3,324	(233,370)	29,802	2,920	32,722
Net loss	-	-	-	-	(6,509)	(6,509)	(72)	(6,581)
Other comprehensive income	-	-	-	121	-	121	7	128
Total comprehensive income (loss)	-	-	-	121	(6,509)	(6,388)	(65)	(6,453)
Forfeiture of stock options	-	-	(25)	-	25	-	-	-
Return of capital	-	(6,417)	-	-	-	(6,417)	-	(6,417)
Balance – December 31, 2019	213,925,645	214,211	39,195	3,445	(239,854)	16,997	2,855	19,852

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

GrowMax Resources Corp.

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	Note	Years ended December 31,	
		2019	2018
Operating activities			
Net loss for the year		\$ (6,581)	\$ (57,676)
Adjustments to net loss for non-operating items and non-cash items:			
Depreciation		82	17
Stock-based compensation expense		-	49
Unrealized and other foreign exchange (gain) loss		1,293	(3,306)
Loss on sale of marketable securities		-	37
Unrealized loss on fair value through profit or loss financial instruments		-	300
Net exploration and evaluation assets write off		-	49,168
Onerous contracts provision		-	5,042
Gain on sale of disposal group		-	3,387
Fair value loss on equity investments		480	-
Deferred income tax recovery		-	(1,217)
Other expense		-	89
Write-off of loan receivable		1,946	-
Cash used by operating activities, before changes in non-cash operating items:		(2,780)	(4,110)
Net change in non-cash operating items	18	(7,271)	(1,328)
Net cash used by operating activities		(10,051)	(5,438)
Investing activities			
Capital expenditures, net	18	-	(4,061)
Purchase of equity investments	5	(5,222)	-
Withdrawal of restricted investments		6,571	-
Net cash generated by (used in) investing activities		1,349	(4,061)
Financing activity			
Return of capital	8	(6,417)	-
Net cash used by financing activity		(6,417)	-
Net change in cash		(15,119)	(9,499)
Effect of foreign exchange rate on cash		(1,192)	2,815
Cash – beginning of year		32,473	39,157
Cash – end of year		\$ 16,162	\$ 32,473

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

GrowMax Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Currency amounts are expressed in thousands of Canadian dollars, except per tonne amounts, 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 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. Subsequent to the year ended December 31, 2019, the Company 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.

GrowMax Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

2. Basis for presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The accounting policies set out in Note 3 have been applied consistently by the Company and its subsidiaries to all periods presented except for the use of modified retrospective approach in adopting IFRS 16 *Leases* (see Note 3) effective January 1, 2019.

3. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

(a) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have also been prepared using the accrual basis of accounting, except for cash flow information.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in the consolidated statement of income (loss).

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

GrowMax Resources Corp.

Notes to the Consolidated Financial Statements

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

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in change of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Company ceases to have control, any retained interest in a subsidiary is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated statement of income (loss). The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income (loss) (“OCI”) in respect of that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities and are reclassified to the consolidated statement of income (loss) – see Note 3(d) for information on foreign currency translation.

(c) Foreign currency translation

(i) Functional and presentation currency

The Company’s consolidated financial statements are presented in Canadian dollars unless otherwise stated. Each entity of the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The determination of functional currency is based on the primary economic environment in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Factors that an entity considers when determining its functional currency include: (i) the currency that mainly influences sales prices for goods and services, (ii) the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services, (iii) the currency that mainly influences labour, material and other costs of providing goods or services, (iv) the currency in which funds from financing activities are generated, and (v) the currency in which receipts from operating activities are usually retained. When the indicators are mixed, and the functional currency of an entity is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The functional currency of GrowMax’s head office operations is the Canadian dollar. The functional currency of GAC and APPSA is the U.S. dollar.

On the disposal of a foreign operation (that is, a disposal of the Company’s entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation): (1) all of the exchange differences accumulated in equity in respect of that operation attributable to the Company are reclassified to the consolidated statement of income (loss) and (2) any cumulative amount of exchange differences relating to that foreign operation attributable to the non-controlling interests is derecognized but is not reclassified to the consolidated statement of income (loss). In the case of a partial disposal that does not result in the Company losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognized in the consolidated statement of income (loss).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (or using the average rate for the period when this is a reasonable approximation). Foreign exchange gains and losses resulting from the translation or settlement of monetary assets and liabilities denominated in currencies other than an entity’s functional currency are recognized in the consolidated statement of income (loss) as a foreign exchange gain (loss).

GrowMax Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

Intercompany monetary items for which settlement is neither planned nor likely to occur in the foreseeable future are considered to be net investments in foreign operations. Exchange differences arising on such items are recognised initially in OCI and are reclassified from equity to the consolidated statement of income (loss) on disposal of the net investments or when borrowings forming part of the net investment are repaid. The designation of an intercompany monetary item as part of the net investment in a foreign operation is periodically reassessed. When, as a result of a change in circumstance, a previously designated 'net investment' monetary item is intended to be settled, the monetary item is de-designated as part of the net investment.

(d) Financial instruments

(i) Financial Assets

Under IFRS 9 *Financial Instruments* ("IFRS 9"), financial assets are classified into one of the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through the consolidated statement of income (loss)), or
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company measures financial assets (except for those classified as fair value through profit or loss) at its fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss ("FVPL") are expensed in the consolidated statement of income (loss).

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognized using the effective interest method. Foreign exchange gains and losses as well as any gain or loss arising on derecognition are recognized in the consolidated statement of income (loss).
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the consolidated statement of income (loss). When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of income (loss).
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in the consolidated statement of income (loss).

Equity instruments

Unless an election is made, the Company subsequently measures all equity investments at fair value. Where the Company has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of income (loss) following the derecognition of the investment.

GrowMax Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

Changes in the fair value of financial assets at FVPL are recognized in the consolidated statement of income (loss). Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. The Company measure all equity investment at FVPL.

Impairment

Under IFRS 9, the Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(ii) Financial Liabilities

Under IFRS 9, the Company's financial liabilities are classified into one of the two categories: at FVPL or at amortized cost.

- **FVPL:** Financial liabilities carried at FVPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial liabilities held at FVPL are recognized in the consolidated statement of income (loss) in the period in which they arise, except for changes in fair value resulting from an entity's own credit risk which are recognized in other comprehensive income (loss). The deferred payments liability has been classified as a FVPL financial liability. The Company has determined that changes in its credit risk has not materially impacted the fair value of the deferred payments liability.
- **Financial liabilities at amortized cost:** Financials liabilities carried at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The following table shows the classification of the Company's financial instruments:

Financial assets

Cash	Amortized cost
Other current assets	Amortized cost
Restricted investments	Amortized cost
Equity investments	FVPL

Financial liabilities

Accounts payable and accrued liabilities	Amortized cost
Current payable to Peruvian Group	Amortized cost
Provisions and other current liabilities	Amortized cost

(e) Exploration and evaluation assets

Once the legal rights to explore an area have been acquired, costs directly attributable to exploration and evaluation activities are capitalized at cost as exploration and evaluation assets.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. If extractable reserves are found and, subject to further appraisal activity, are likely to be developed commercially, the costs continue to be carried as an exploration and evaluation asset while continued progress is made in assessing the commerciality of the reserves.

GrowMax Resources Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

Exploration and evaluation (“E&E”) assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When a potential impairment is indicated, an assessment of the asset is performed in conjunction with the group of assets (representing a cash-generating unit) to which the exploration cost is attributed. To the extent that the capitalized expenditure is not expected to be recovered through use or disposal, it is impaired.

E&E assets are assessed for impairment when facts and circumstances arise which could indicate a potential impairment. These are also assessed for impairment when the technical feasibility and commercial viability of extracting a resource are demonstrable and the assets are reclassified as property, plant and equipment.

An E&E asset is derecognized upon disposal with any gains or losses from disposition recognized in the consolidated statement of income (loss) in the period in which they arise.

(f) Stock-based compensation

The Company grants stock options to purchase common shares of the Company to directors, officers, employees and consultants.

(i) Employees and others providing similar services

The Board of Directors grants stock options to directors, officers, and employees for periods of up to five years, with vesting periods determined at its sole discretion.

Stock options granted to employees and others providing similar services are valued based on the fair value of the equity instruments granted. When stock options granted to employees vest in instalments over a vesting period, each instalment is treated as a separate grant. The fair value of stock options granted to employees is measured at grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest.

(ii) Non-employees

Stock options granted to non-employees are valued based on the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the fair value of the goods and services received is measured, indirectly, by reference to the fair value of the equity instruments granted. The fair value is recognized as a cost when the Company obtains the goods or the counterparty renders the service, with a corresponding increase in contributed surplus. The fair value is recognized as a cost over the vesting period, if any. When applicable, the fair value of stock options granted to non-employees is measured using the Black-Scholes option pricing model. The fair value of identifiable goods and services is measured on the date the Company obtains the goods or the counterparty renders the services. The fair value of unidentifiable goods and services is measured at grant date.

(iii) Modifications

Modifications to the vesting periods of stock-based compensation are accounted for prospectively from the modification date to the revised vesting date.

(g) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

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Decommissioning liabilities

The Company records a liability for constructive or legal obligations to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the operating location.

When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related asset to the extent that it was incurred by the development/construction of that asset. The discount rate used to calculate the present value is the credit-adjusted risk-free rate. The periodic unwinding of the discount is recognized in the consolidated statement of income (loss) as a finance cost.

The Company's estimates of decommissioning, remediation and similar liabilities could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the decommissioning liability. The Company's estimates are reviewed at the end of each reporting period.

(h) **Income tax**

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income (loss) except to the extent that it relates to items recognized directly in OCI or directly in equity, in which case the income tax is also recognized directly in OCI or equity, respectively.

Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that do not affect accounting or taxable profit,
- goodwill; and
- investments in subsidiaries, branches and associates, and interests in joint arrangements where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred income tax is determined on a non-discounted basis. Deferred tax assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in the consolidated statement of income (loss) in the period that enactment or substantive enactment occurs.

A deferred tax asset, including that related to unused tax loss carry forwards, is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The Company's unused tax losses in Peru can be carried forward indefinitely but with an annual limit equivalent to 50% of APPSA's taxable income. The Company's unused non-capital tax losses in Canada can be carried forward for twenty years. The Company's capital tax losses in Canada do not expire.

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Current tax assets and current tax liabilities are offset if, and only if, the Company has a legally enforceable right to set off the recognized amounts; and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are offset if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

(i) Share capital

Common shares are classified as equity. Costs directly attributable to the issuance of shares are recognized as a deduction from equity. Proceeds received on the issuance of units, consisting of common shares and warrants, are first allocated to the fair value warrants, which is determined using the Black-Scholes option pricing model, and the remaining is allocated to the share capital. Warrants issued with exercise prices in an entity's functional currency are accounted for as a form of contributed surplus within equity. Upon exercise of these warrants, consideration paid by the holders, together with the amount previously recognized as contributed surplus, is recorded as an increase to share capital.

(j) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) for the period attributable to equity owners excluding the non-controlling interest ("NCI"), of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is computed by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method, which assumes any proceeds received by the Company upon exercise of the in-the-money instruments would be used to repurchase common shares at the average market price for the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. As at December 31, 2019, there are no options or warrants that have a dilutive effect.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding

(k) New standards, amendments and interpretation

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. Critical accounting estimates and judgements

(a) Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

(i) Determination of functional currency
See Note 3(d)(i).

(ii) Recoverability of receivables
The determination of when receivables are impaired requires significant judgment as to their collectability.

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(b) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

(i) Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future taxable income and the application of existing tax laws. To the extent that future taxable income differs significantly from estimates, the ability of the Company to realize deferred tax assets could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

(ii) Decommissioning liability

The cost of remediating sites following their useful lives is subject to significant management estimates, both in terms of the cost to remediate the sites as well as the timing of the costs, which impact the net present value of the decommissioning liability shown on the consolidated statement of financial position.

(iii) Privately held equity investments

The fair value of privately held equity investments require management to make certain assumptions and estimates. Changes in assumptions used to estimate the fair value could result in materially different results.

(iv) Stock-based compensation and derivative instruments

The fair value of share-based payments and warrants held as equity investments are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

5. Equity investments

As at December 31, 2019, 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	\$ 2,666
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

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During the year ended December 31, 2019, the Company completed the following transactions:

- i) Purchased 5,500,000 units in the capital of Quality Green Inc. ("Quality Green"). 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. On acquisition date, the estimated fair value of \$460 of the Quality Green warrants, was determined using the Black-Scholes valuation model, and remaining \$2,565 was allocated to the common shares. The fair value of the commons shares and warrants at December 31, 2019 is \$2,565 and \$101, respectively.
- ii) Purchased 1,250,000 common shares of Sweet Earth Holdings Corp. for a fair value of \$250.
- iii) Purchased 3,000,000 units in the capital of First Responder Technologies Inc. ("First Responder"). 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. On acquisition date, the estimated fair value of \$141 of the First Responder warrants, was determined using the Black-Scholes valuation model, and remaining \$909 was allocated to the common shares. The fair value of the common shares and warrants at December 31, 2019 is \$909 and \$120, respectively. Subsequent to the year ended December 31, 2019, First Responder became a publicly listed company. The Company and First Responder have one common director.
- iv) Purchased 240,000 units in the capital of Hempfusion, Inc. ("Hempfusion"). 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. On acquisition date, the estimated fair value of \$46 of the warrants, was determined using the Black-Scholes valuation model, and remaining \$351 was allocated to the common shares. The fair value of warrants at December 31, 2019 is \$34.
- v) Purchased 5,882,000 units in the capital of Algernon Pharmaceuticals Inc. ("Algernon"). 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. On acquisition date, the fair value of warrants was determined to be \$59 and remaining \$441 was allocated to common shares. As at December 31, 2019, the fair value of common shares is \$323 and the fair value of the warrants is \$89. The estimated fair value of the warrants are based on exchange market prices. The Company and Algernon have one common director.

The fair value of the derivative instruments as at acquisition date and as of 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	100%	1.62% - 1.71%	0.35 – 1	0%	\$0.470
First Responder	100%	1.41% - 1.71%	1.63 – 2	0%	\$0.256
Hempfusion	100%	1.32% - 1.69%	3.16 – 3.5	0%	US \$0.965

The Company had no equity investments as at December 31, 2018.

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6. Other current assets

	December 31,		December 31,	
	2019		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. The 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.

7. Exploration and evaluation assets write off

At December 31, 2018, management determined that they would no longer pursue the development of the Bayovar Property and accordingly, the carrying amount of the exploration and evaluation assets of \$57,058 was written off. The impairment was determined in accordance with level 3 of the fair value hierarchy. As at December 31, 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 \$1,948 (2018 - \$2,047) remains as at December 31, 2019 (see Note 9 for further information). As at December 31, 2018, the Company no longer has an obligation to pay the \$4,359 non-current portion payable as it would only have been payable upon achievement of commercial production of phosphate.
- **Deferred payments**
The transfer agreement for the Bayovar Property requires future production-related payments (based on future production levels) to a Peruvian state-owned company, which are considered deferred payments for accounting purposes. Due to the write off of related Peruvian assets during the year ended December 31, 2018, no further production related payments will be required to be made to the Peruvian state-owned company and the fair value of this liability became \$nil at December 31, 2018.
- **Provisions and other current liabilities**
As at December 31, 2018, an onerous contracts provision was recognized in the amount of \$5,042. This primarily relates to penalties that will be payable due to the shortfall on the investment commitment. During the year ended December 31, 2019, these costs were covered by the Company's restricted investments balance which relates to a US\$5,000 performance bond posted for its commitments in Peru (see Notes 6 and 10 for further information).

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

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

In connection with the Bayovar Project, the transfer agreement to acquire the Bayovar Property required future production-related payments to be paid to the Peruvian state-owned company. Due to the write off related to the Peruvian assets, no further production related payments will be made to the Peruvian state-owned company.

The Company also entered into an agreement with the local community for surface easement and access rights which requires future production-related payments to the local community based on future production levels. The future production-related payments payable to the local community would have ultimately depended on future production volumes and product prices. Due to the write off related to the Peruvian assets in 2018, no further production related payments will be made to the local community.

8. Property, plant and equipment

Cost	
Balance as at December 31, 2017	\$ 787
Disposals	(123)
Foreign exchange movement and other	61
Balance as at December 31, 2018	725
Foreign exchange movement and other	(4)
Balance as at December 31, 2019	\$ 721
Accumulated depreciation	
Balance as at December 31, 2017	\$ 603
Depreciation for the year	17
Depreciation on disposals	(34)
Foreign exchange movement and other	53
Balance as at December 31, 2018	639
Depreciation for the year	82
Balance as at December 31, 2019	\$ 721
Carrying amount	
As at December 31, 2018	\$ 86
As at December 31, 2019	\$ -

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9. 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 (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 the amount written off.

10. Provisions and other current liabilities

	December 31,		December 31,	
	2019		2018	
Onerous contracts provision	\$	-	\$	5,042
Provisions related to the Bayovar Property write-off		785		-
Other		117		77
	\$	902	\$	5,119

At December 31, 2019, 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:

	Years ended December 31,			
	2019		2018	
Land use	\$	325	\$	-
Property taxes		320		-
Reclamation		140		-
	\$	785	\$	-

11. 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 years ended December 31, 2019 and 2018.

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

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(b) Options to purchase common shares

(i) Movement in share options

The changes in share options during the years ended December 31, 2019 and 2018 were as follows:

	December 31, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance outstanding, beginning of the year	4,505,000	\$0.21	9,208,334	\$0.53
Options expired	-	-	(4,403,336)	\$0.88
Options forfeited	(4,465,000)	\$0.21	(299,998)	\$0.18
Balance outstanding, end of the year	40,000	\$0.20	4,505,000	\$0.21

(ii) Share options outstanding at December 31, 2019

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

The following table summarized information concerning outstanding and exercisable options of the Company as at December 31, 2018:

Options outstanding	Options exercisable	Exercise price	Remaining contractual life (years)
800,000	800,000	\$0.25	1.96
3,580,000	2,546,670	\$0.20	3.35
125,000	83,334	\$0.11	3.95
4,505,000	3,430,004		3.12

For the year ended December 31, 2018, the Company recorded \$49 in relation to the vesting of the stock options. No such amount was recognized for 2019.

(c) Warrants

As at December 31, 2019 and 2018, the Company had no warrants outstanding. During the fiscal year ended December 31, 2018, 2,000,000 warrants with an exercise price of \$0.25 expired.

12. Non-controlling interest

As at December 31, 2019 and 2018, 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 December 31, 2019 was \$2,855 (2018 – \$2,920). As at December 31, 2019, GAC and its Peruvian subsidiary, APPSA, held \$1,010 (2018 – \$2,355) of cash. As at December 31, 2019, the Company had \$nil (2018 – 6,821) of restricted investments securing

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APPSA's commitments for its Bayovar Project.

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

	December 31, 2019		December 31, 2018	
Current assets	\$	2,969	\$	2,438
Current liabilities ⁽¹⁾		12,378		10,754
Net loss ⁽²⁾		(1,305)		(53,554)
Comprehensive income	\$	127	\$	2,377

Notes:

⁽¹⁾ Includes intercompany monetary items that are repayable on demand, but which are not expected to be repaid in the foreseeable future. This also includes \$5,042 onerous contracts provision for the year ended December 31, 2018. See Note 7 for further information.

⁽²⁾ Includes \$54,210 related to the write off of the Peruvian asset in 2018. See Note 7 for further information.

13. Other general and administrative expenses

	Note	Years ended December 31,	
		2019	2018
Employee benefits (including termination costs)	17	\$ 1,146	\$ 1,545
Insurance		107	42
Management fees	17	155	-
Professional and consulting	17	1,135	2,495
Rent	17	79	62
Travel		129	220
Other		1,014	326
		\$ 3,765	\$ 4,690

14. Other income (expense)

	Years ended December 31,	
	2019	2018
Loss on sale of marketable securities	\$ -	\$ (37)
Loss on fair value through profit or loss financial instruments	-	(300)
Foreign exchange gain (loss)	(1,063)	3,128
Interest income	508	744
Other income	247	(75)
	\$ (308)	\$ 3,460

15. Income taxes

The following table summarizes the Company's income tax expense for the years ended December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
Deferred income tax relating to temporary differences	\$	-	\$	(1,217)
Income tax expense (recovery)	\$	-	\$	(1,217)

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Reported income tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income tax due to the following:

	December 31, 2019	December 31, 2018
Income (loss) from continuing operations before income tax expense	\$ (6,581)	\$ (55,506)
Income (loss) from discontinued operations before income tax expense	-	(3,387)
Income (loss) before income tax	(6,581)	(58,893)
Canadian statutory income tax rate	27%	26.50%
Expected income tax recovery on loss before tax	(1,777)	(15,606)
Tax effect of items not deductible for income tax purposes	264	48
Difference in tax rates between foreign jurisdictions and Canada	(32)	(16)
Change in corporate tax rate	(43)	611
Change in unrecognized deferred tax assets and other	1,588	13,746
Income tax expense (recovery)	\$ -	\$ (1,217)

As at December 31, 2019 and 2018, the Company has unrecognized deferred tax assets related to its operations in Canada and Peru. These deferred tax assets have not been recognized in the consolidated statements of financial position because of the significant uncertainty regarding whether such benefits will be realized.

The following table summarizes these items at December 31, 2019 and 2018 (in Canadian dollars after applying the applicable tax rates):

	December 31, 2019	December 31, 2018
Loss carry forwards (capital and non-capital)	\$ 33,010	\$ 32,096
Deductible temporary differences	13,391	12,996
Share issue costs	-	1
	\$ 46,401	\$ 45,093

The Company's non-capital loss carry forwards in Canada expire as follows (in Canadian dollars before applying the applicable tax rates):

Expiry date	Canada
January 1, 2029	\$ 2,669
January 1, 2030	2,825
January 1, 2031	4,142
January 1, 2032	6,878
January 1, 2033	2,475
January 1, 2035	5,857
January 1, 2036	18,758
January 1, 2037	5,139
January 1, 2038	6,091
January 1, 2039	3,215
January 1, 2040	2,003
	\$ 60,052

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As at December 31, 2019, the Company has capital losses in Canada totaling \$121,078 (December 31, 2018 – \$119,190), which can be carried forward indefinitely.

As at December 31, 2019, the Company has \$1,527 (December 31, 2018 – \$1,593) of tax losses in Peru, which can be carried forward indefinitely, but which have a limitation on their use. These carry forward losses may be deducted up to an annual limit of 50% of APPSA's taxable income in the applicable year.

16. 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, 2019	December 31, 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	\$ 41,780
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).

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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.

(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 December 31, 2019, the Company's head office held US\$10,656 (2018 – US\$22,012) of U.S. dollar cash. As at December 31, 2019, the Company's head office held US\$nil of U.S. dollar restricted investments (2018 – US\$5,000).

The Company estimates that a 5% weakening of the Canadian dollar at December 31, 2019 would have decreased the Company's reported net loss for the year ended December 31, 2019 by approximately US\$533 (relates to U.S. dollar financial instruments held at head office). A 5% strengthening of the Canadian dollar at December 31 would have had an equal but opposite effect.

The Company also estimates that a 5% weakening of the U.S. dollar at December 31, 2019 would have increased the Company's reported net loss for the year ended December 31, 2019 by approximately US\$533 (relates to U.S. dollar financial instruments held at head office). A 5% strengthening of the U.S. dollar at December 31, 2019 would have had an equal but opposite effect. A sensitivity analysis with respect to other currencies would be negligible.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. When investments are made, the Company's strategy is to stagger the maturity dates over different time periods to minimize exposure to interest rate changes. The Company monitors its exposure to interest rates but has not entered into any derivative financial instruments to manage this risk.

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(iii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation. Credit risk arises from the Company's financial assets. The carrying value of the financial assets represents the maximum exposure to credit risk. The Company's exposure to credit risk is considered to be low-moderate, given the size and nature of the various counterparties involved and their history of performance.

As at December 31, 2019, 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 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 \$474 decrease in net loss and comprehensive loss.

17. 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.

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

	Years 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. Includes amounts for former directors, former CFO and former CEO.

18. Supplemental cash flow information

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

	Years ended December 31,	
	2019	2018
Other current assets	\$ 459	\$ (1,934)
Other non-current assets	(1,959)	(273)
Accounts payable and accrued liabilities	(1,713)	966
Provisions and other current liabilities	(4,058)	(87)
	\$ (7,271)	\$ (1,328)

Capital expenditures are comprised of:

	Years ended December 31,	
	2019	2018
Additions to exploration and evaluation assets	\$ -	\$ 3,965
Changes in payable to Peruvian Group	-	(729)
Changes in other current liabilities	-	301
Changes in accounts payable and accrued liabilities	-	524
	\$ -	\$ 4,061

19. 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.

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.

20. 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

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OCI. 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 hold cash in interest bearing bank accounts. 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 during the year ended December 31, 2019.

21. 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.

22. Sale of Energicon S.A. and Discontinued Operations

On November 10, 2016, the Company accepted an offer from Energy Operations Argentina LLC ("EOA"), a private American company, for the sale of all of the issued and outstanding common shares of Energicon S.A. ("Energicon"). The Transaction closed on November 24, 2016.

Sale of Energicon

During the year ended December 31, 2018, the remaining proceeds on the sales of Energicon in the amount of \$3,764 (US\$3,000) was allowed for against the receivable. A net loss of \$3,387 was recognized on the sale of the disposable group for the year ended December 31, 2018. This loss relates to the loss allowance provided against the receivable from the sale of Energicon.

23. 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.