GROWMAX RESOURCES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

This management's discussion and analysis ("MD&A") for GrowMax Resources Corp. (TSX-V:GRO) should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2017. Except as otherwise indicated or where the context so requires, references to "GrowMax Resources" or the "Company" include GrowMax Resources Corp. and its subsidiaries. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar figures stated herein are expressed in Canadian dollars ($ or Cdn$), unless otherwise specified.

This MD&A is based on information available up to April 12, 2018, the date on which it was approved by the Board of Directors.

GrowMax Resources Corp. is a publicly listed Canadian company with its corporate head office located in Toronto, Ontario. The Company is focused on exploration, evaluation and development of phosphate and potassium-rich brine resources on its Bayovar property ("Bayovar Property"), which is located in the Sechura Desert in northwestern Peru. GrowMax is also concentrating its efforts on leveraging its existing balance sheet to consolidate junior fertilizer assets in Latin America, targeting projects with favourable margins and generating cash flow. The Company's vision is to become a leading producer of fertilizer products in Peru and a prominent player in the Latin American fertilizer industry.

See section 1.15 for a listing of defined terms used in this document and for information on a Non-GAAP Financial Measure (working capital). See section 1.2 for further information on the calculation of working capital.

This MD&A contains forward-looking information. See section 1.15 for a discussion of the risks, uncertainties and assumptions relating to forward looking information.

Highlights and Recent Activities

CASH AND WORKING CAPITAL

The following table summarizes the Company's cash and cash equivalents and working capital as at December 31, 2017 and 2016:

($ in thousands)	**December 31, 2017**	December 31, 2016
Cash and cash equivalents	**39,157**	42,896
Working capital(1)	**39,560**	49,634

Note:

(1) Working capital is calculated as current assets (December 31, 2017 - $43.3 million; December 31, 2016 - $52.4 million) less current liabilities (December 31, 2017 - $3.7 million; December 31, 2016 - $2.8 million).

See section 1.2 for information regarding the change in cash and cash equivalents and the change in working capital during the year ended December 31, 2017.

PERU/LATIN AMERICA

The key focus areas for 2018 and 2019 include the continued review and optimization of the Company's existing projects in Peru and entering the high growth Peruvian fertilizer market. The Company is also assessing opportunities to add additional assets to the Company's portfolio in high growth, high demand jurisdictions in Latin America. The Company's overall mission is to become a leading producer of fertilizer products, starting in Peru and growing internationally within Latin America. To accomplish this, GrowMax Resources previously set five key drivers:

1. Commence with small production of specialty fertilizers, targeting high margin products in Peru from the Company's existing projects;
2. Organically grow the Company's existing assets as product quality is proven and sales force grows;
3. Preserve GrowMax Resources' world-class, strategically located phosphate and brine assets in the Bayovar basin, Peru;
4. Leverage the Company's balance sheet and experienced Board of Directors and management team to consolidate junior fertilizer assets in Latin America, targeting projects with favourable margins and generating cash flow earlier than cash flow expected to be generated from the Company's existing assets; and
5. Invest in the future of agriculture.

The Opportunity: International Fertilizer Market and Peruvian Fertilizer Market Statistics

GrowMax Resources' strategic location in Peru provides it with access to favourable domestic markets that do not presently exist internationally. Prices for common fertilizers in Peru are often materially higher than prices for comparable products in other markets which don't import the majority of their fertilizer needs. The majority of the fertilizers used in Peru are imported and incur transport, distribution, marketing, and other costs in order to reach the Peruvian agriculture areas which utilize these fertilizers. As a result of the increasing demand for these products in Peru, the Company expects these pricing premiums to be maintained and potentially increase going forward. Furthermore, Peru is experiencing significant agricultural export growth, while at the same time importing the great majority of its fertilizer needs. As such, the Company is looking to focus on nearer-term opportunities to generate cash in this high-growth, high-margin, stable jurisdiction.

International phosphate prices have been in decline in recent years, which is generally attributed to the oversupply of phosphate fertilizer from China, as well as capacity growth in other parts of the world, such as Egypt and Morocco. Although the economic drivers differ in the potash market, the dynamics are similar. As a result, fertilizer companies have significantly underperformed in the market, and junior development companies' ability to raise capital has been significantly constrained.

Addressing the Opportunity: Corporate Strategy Update

Considering the downward pressure on international phosphate and potassium fertilizer prices, the economics for building a 1 Mt per year mine for an export-driven phosphate project are not optimal today. In response, GrowMax Resources, through its pre-sales and pre-marketing focus in recent months, has identified and is assessing a nearer-term, more attractive market within Peru. The Company is assessing the viability of taking advantage of this niche market by commencing with small scale production of specialty fertilizers that can be sold to local and regional markets. This strategy would allow GrowMax Resources to organically grow its assets as product quality is proven and a sales base is firmly secured. Additionally, advancing work on the Bayovar Property would ensure that the Company's world-class assets, located in the Bayovar basin, are secured and construction-ready for when global markets rebound.

In addition to streamlining its current activities, GrowMax Resources is actively looking at further opportunities and assets in the mining and fertilizer sectors in Latin America to utilize its attractive balance sheet and leverage its strengths into new opportunities moving forward.

Potash Brine Project and Phosphate Project Update

GrowMax Resources is currently reviewing and assessing the opportunity to improve project economics on both the potash brine project and the phosphate project.

For the phosphate project, GrowMax Resources has engaged various consulting firms to find efficiencies and reduce project costs.

With respect to the potential optimization of the brine project, the Company is working with several consulting firms and geologists with extensive experience in mining projects within Peru. As a result of evaluating these potential optimizations, the Company is now targeting completion of the final design package, with a view to making an investment decision in 2018.

Phosphate Rock Offtake Agreement

In December 2017 Americas Potash Peru S.A. ("APPSA") entered into a phosphate rock offtake agreement with Kisan International Trading FZE ("Kisan"). Subject to the terms of the agreement, Kisan has agreed to purchase not less than 50% of the phosphate rock produced from APPSA's Bayovar project, up to a total of 500,000 metric tonnes per annum. The agreement has an initial term of 15 years commencing once APPSA has established commercial production of phosphate rock from the Bayovar project for not less than 30 consecutive days. The price of the phosphate rock will be based upon prevailing phosphate rock prices in Peru or other South American markets at the time of sale.

Bayovar Property Transfer Agreement

In May 2017, a two-year extension and modification to the Company's commitments pursuant to the transfer agreement ("Transfer Agreement") was approved.

Below are the outstanding commitments related to the project:

- Commence production by May 2019;

- Payments of US$0.48 million to a Peruvian state-owned company ($0.24 million was paid during the second quarter of 2017 and the balance of US$0.24 million is due to be paid in May 2018), half of which to be distributed by the Peruvian state-owned company to the local community;
- Produce a minimum of 70% of the annual sales volume set forth in the applicable economic study; and
- Invest a minimum of US$19.8 million in the project from May 2016 to May 2019, of which the Company had fulfilled approximately US$3.6 million up to May 2017.

ARGENTINA

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

Under the terms of the share purchase and sale agreement, the total cash consideration payable by EOA was US$5.1 million of which US$3.0 million was contingent upon the issuance to Energicon of a hydrocarbon exploitation concession for Vaca Mahuida.

In October 2017, the Governor of the Province of Rio Negro approved the granting of the Vaca Mahuida Exploitation Concession and the contingent consideration of US$3.0 million became payable by EOA to the Company. Of the US$5.1 million consideration payable by EOA, $2.8 million (US$2.1 million) was recognized as a gain on sale of disposal group within discontinued operations during the year ended December 31, 2016 and $3.8 million (US$3.0 million) was recognized as a gain on sale of disposable group within discontinued operations during the year ended December 31, 2017.

CORPORATE

At the Company's annual and special meeting of shareholders held on June 28, 2017, the number of directors of GrowMax Resources was set at seven and included the re-election of Messrs. Abdel Badwi, Ron Ho, Rakesh Kapur, Carlos Lau and Ross McCutcheon, and the appointments of Messrs. Steven Paxton and John Van Brunt as directors of the Company.

Effective December 31, 2017, Abdel Badwi stepped down as the Executive Chairman of the Board and is now the non-executive Chairman of the Board.

On December 31, 2017, Mr. Jamie Somerville's employment contract as GrowMax's Executive Vice President concluded.

Financial Highlights

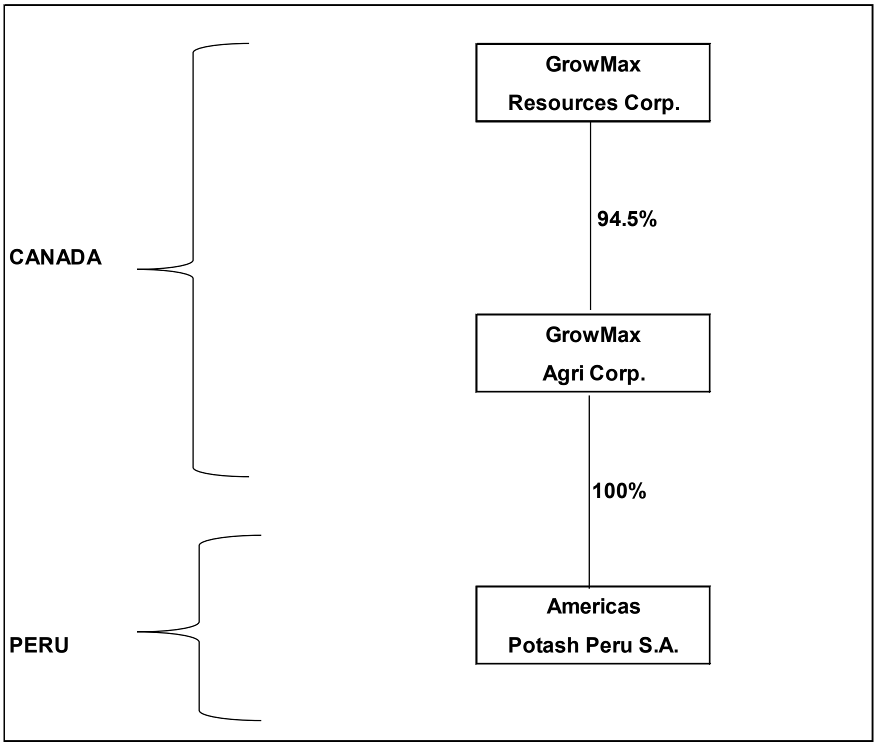
Financial highlights for the years ended December 31, 2017 and 2016 are shown below. For additional information, please see section 1.2.

	Year ended December 31	
($ in thousands)	**2017**	2016
General and administrative expenses (excluding stock-based compensation and depreciation)	**3,522**	4,276
Foreign exchange loss (gain)	**2,994**	(75)
Capital expenditures, net	**5,273**	10,777
Net cash used by operating activities	**4,507**	12,613

1.1 Background Information

The following organization chart summarizes the Company's subsidiaries, their jurisdictions of incorporation and the percentage of voting securities held by the Company as of the current date:

Corporate Structure



During the years ended December 31, 2017 and 2016, GrowMax Agri Corp. ("GAC"), issued a total of 88,936,883 of its common shares to GrowMax Resources to settle $20.5 million (US$16.2 million) of intercompany debt owed by GAC to GrowMax Resources. This resulted in GrowMax Resources' ownership interest in GAC increasing from 89.23% to 94.50%.

1.2 Overall Performance

Working capital

As at December 31, 2017, the Company had a positive consolidated working capital position of $39.6 million. The decrease in working capital from December 31, 2016 of $49.6 million can be attributed primarily to approximately:

- $5.3 million of net capital expenditures;
- $3.0 million of losses on the Company's U.S. dollar denominated financial instruments as a result of the weakening of the U.S. dollar relative to the Canadian dollar;
- $3.5 million of general and administrative expenses (excluding stock-based compensation and depreciation);
- $1.8 million of payable to the Peruvian Group being reclassified to current liabilities;
- $0.2 million of other items;
  partially offset by:
- $3.8 million of additional proceeds recognized from the sale of Energicon.

Working capital is a Non-GAAP Financial Measure and is calculated as current assets (December 31, 2017 - $43.3 million; December 31, 2016 - $52.4 million) less current liabilities (December 31, 2017 - $3.7 million; December 31, 2016 - $2.8 million).

Cash and cash equivalents

Operating activities

With respect to continuing operations, during the years ended December 31, 2017 and 2016, the Company used $4.5 million and $4.6 million, respectively, of cash for operating activities (which includes changes in non-cash balance sheet operating items). The majority of the outflow during the years ended December 31, 2017 and 2016 is attributable to cash general and administrative expenses and foreign exchange losses.

With respect to discontinued operations, during the years ended December 31, 2017 and 2016, the Company used $nil and $8.0 million, respectively, of cash for operating activities. The outflow during the year ended December 31, 2016 is primarily attributable to cash payments made for termination costs relating to former employees in Argentina.

Investing activities

With respect to continuing operations, the Company generated $0.5 million from investing activities during the year ended December 31, 2017 – this inflow is attributable to the sale of available-for-sale financial assets (Argentine bonds), partially offset by capital spending on activities at the Company's Bayovar Property in Peru. During the year ended December 31, 2016, the Company used $1.3 million for investing activities related to continuing operations – this outflow is attributable to capital spending on activities at the Company's Bayovar Property in Peru, partially offset by the net sale of available-for-sale financial assets and the release of restricted cash pertaining to previous foreign exchange forward contracts.

With respect to discontinued operations, during the years ended December 31, 2017 and 2016, the Company generated $2.9 million and $6.1 million, respectively, of cash from investing activities. The cash generated during the year ended December 31, 2017 related to cash collected from the sale of Energicon. The cash generated during the year ended December 31, 2016 related to the release of the funds held in escrow from the sale of Americas Petrogas Argentina S.A. ("Petrogas Argentina").

Financing activities

All of the Company's financing cash flows during the years ended December 31, 2017 and 2016 related to continuing operations.

During the year ended December 31, 2017, the Company purchased $0.3 million of its common shares pursuant to a Normal Course Issuer Bid ("NCIB"). See note 11(a) of the December 31, 2017 annual consolidated financial statements for further information.

During the year ended December 31, 2016, the Company used $6.8 million for financing activities. In February 2016 and December 2015, the Company entered into settlement agreements with certain dissenting shareholders, which resulted in a cash payment of $6.7 million during the first quarter of 2016. See note 11(a) of the December 31, 2017 annual consolidated financial statements for further information.

Available-for-sale financial assets

During the year ended December 31, 2017, the Company disposed of substantially all of its remaining available-for-sale financial assets (Argentine bonds), for proceeds of approximately $5.8 million. See section 1.2 below for information on gains/losses recorded as a result of disposing of bonds.

Other current assets

The Company's other current assets at December 31, 2017 and 2016, include a receivable in the amount of $3.8 million (US$3.0 million) and $2.8 million (US$2.1 million), respectively, related to the sale of Energicon. The full amount of the US$2.1 million receivable included in other current assets at December 31, 2016 was collected during 2017. The US$3.0 million receivable included in other current assets at December 31, 2017 has a payment schedule of US$1.0 million on September 30, 2018 and the remaining US$2.0 million on December 31, 2018. See note 20 of the December 31, 2017 annual consolidated financial statements for further information.

Exploration and evaluation assets

A breakdown of additions to mining exploration and evaluation assets in Peru during the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31	
($ in thousands)	**2017**	2016
Employee salaries benefits	**1,286**	1,035
Engineering, drilling and testing	**983**	3,519
Interest capitalized	**786**	661
Consultants	**495**	314
Concession revalidation fees	**985**	366

Corporate and social responsibility	**374**	55
Building rent	**198**	162
Deferred payments[(1)]	**-**	9,322
Other	**685**	706
Total	**5,792**	16,140

Note:

(1) See note 10 of the December 31, 2017 annual consolidated financial statements for further information regarding the timing of the payments of the deferred payments.

Restricted investments

The Company's restricted investments balance at December 31, 2017 ($6.3 million) and December 31, 2016 ($6.7 million) relates to a US$5.0 million performance bond posted for commitments related to the Bayovar Property in Peru. The performance bond was initially required to be posted upon execution of the Transfer Agreement for the Bayovar Property in May 2014.

The initial amount of the performance bond is US$5.0 million and is required to be renewed annually during the term of the investment commitment. Once the investment commitment has been satisfied, the Company would substitute this performance bond for another performance bond to secure the production-related payments and the other contractual obligations arising subsequent to the investment commitment.

The performance bond may be foreclosed and the Transfer Agreement may be terminated, should the capital cost investment and/or the minimum production requirements not be met.

Other non-current assets

As at December 31, 2017 and 216, the Company had $3.6 million and $3.5 million, respectively, of other non-current assets, all of which relates to value-added tax ("VAT") payments made in Peru.

Payable to Peruvian Group

On January 25, 2016, APPSA acquired the remaining 30% beneficial interest in the Bayovar Property from the Peruvian group (the "Peruvian Group"), a related party (see section 1.9). Under the terms of the acquisition agreement, payments to be made to the Peruvian Group total US$8.0 million payable over a period of time and subject to certain conditions. Of this amount, US$5.5 million (principal - undiscounted) was outstanding as at December 31, 2017. This liability is being measured at amortized cost. As at December 31, 2017, the Company has classified $1.8 million of the payable as a current liability and $3.4 million of the payable as a non-current liability. At December 31, 2016, the entire carrying value of the payable was classified as a non-current liability. See note 9 of the December 31, 2017 annual consolidated financial statements for further information.

Deferred payments

In May 2014, APPSA officially exercised the option to acquire the Bayovar Property, and the Transfer Agreement for the Bayovar Property was executed. The Transfer Agreement requires future production-related payments (based on future production levels) to a Peruvian state-owned company, which are considered deferred payments for accounting purposes. As at December 31, 2017 and 2016, the total amount of the deferred payments was classified as a non-current liability. See note 10 of the December 31, 2017 annual consolidated financial statements for further information. See below for information on gains/losses recorded on the deferred payments payable.

Deferred tax liability

As at December 31, 2017 and 2016, the Company has a deferred tax liability of $1.1 million and $1.6 million, respectively, all of which relates to taxable temporary differences in APPSA that resulted from foreign exchange fluctuations. APPSA's assets and liabilities are measured for accounting purposes in U.S. dollars (APPSA's functional currency), but its taxable profit or loss (and the tax base of its assets and liabilities) is determined in Peruvian Soles.

The decrease in the deferred tax liability from December 31, 2016 to December 31, 2017 is primarily a result of the weakening of the U.S. dollar relative to the Peruvian Sol.

Share capital and Contributed surplus

In October 2016, the Company made the necessary filings and received the necessary approvals to make a normal course issuer bid (“NCIB”) to buy-back some of its common shares. The NCIB allowed the Company to purchase up to 10,796,282 of its common shares. The NCIB terminated on October 23, 2017. During 2016, the Company purchased 419,000 of its common shares, all of which were cancelled in 2017. During 2017, the Company purchased 1,581,000 common shares, all of which were cancelled in 2017. During the term of the NCIB the Company repurchased and cancelled a total of 2,000,000 common shares.

During 2016 and 2015 the Company entered into settlement agreements with certain dissenting shareholders (the "Dissenting Shareholders") holding 22,768,667 common shares (the "Dissented Shares") of the Company. The consideration paid for the Dissented Shares was in settlement of statutory rights of dissent exercised by the Dissenting Shareholders as a result of the sale of Petrogas Argentina to Tecpetrol International S.A. and Tecpetrol Internacional S.L. (Unipersonal) (“Tecpetrol”). Under the terms of the settlement agreements, the Dissenting Shareholders were paid an aggregate of $6.7 million in cash and were issued an aggregate of 4,955,206 common shares of GrowMax Resources. As a result of settling the Dissented Shares in 2016, the Company reclassified $18.4 million from Share capital to Contributed surplus. See note 11(a) of the December 31, 2017 annual consolidated financial statements for further information.

Accumulated other comprehensive income (loss)

The change in accumulated other comprehensive income (loss) from December 31, 2016 to December 31, 2017 reflects: (i) changes (included related income tax) related to available-for-sale financial assets and (ii) 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.

Non-controlling interest

During the year ended December 31, 2017, GAC, issued 62,815,294 common shares to GrowMax Resources to settle $13.3 million (US$10.6 million) of intercompany debt owed by GAC to GrowMax Resources. This resulted in GrowMax Resources’ ownership interest in GAC increasing from 91.59% to 94.50%.

During the year ended December 31, 2016, GAC issued 26,121,589 common shares to GrowMax Resources to settle $7.3 million (US$5.6 million) of intercompany debt owed by GAC to GrowMax Resources. This resulted in GrowMax Resources’ ownership interest in GAC increasing from 89.23% to 91.59%.

General and Administrative Expenses

One part of general and administrative expenses is stock-based compensation expense, which results from the vesting of stock options. New stock options were issued throughout 2017 – for further information regarding stock options see note 11(b) of the December 31, 2017 annual consolidated financial statements.

A breakdown of other general and administrative expenses follows:

	Year ended December 31	
($ in thousands)	**2017**	2016
Employee salaries and benefits (including termination costs)	**2,199**	2,730
Professional and consulting fees	**519**	963
Travel	**280**	210
Rent	**81**	40
Insurance	**45**	47
Other	**398**	286
	3,522	4,276

Employee benefits expense for the years ended December 31, 2017 and 2016 includes $nil and $0.8 million, respectively, of costs related to the termination of a consulting arrangement with a related party – see section 1.9 for further information.

Other Income (Expense)

($ in thousands)	Year ended December 31 **2017**	2016
Foreign exchange gain (loss)	**(2,994)**	75
Gain (loss) on sale of available-for-sale financial assets	**(1,475)**	(747)
Gain (loss) on fair value through profit or loss financial instruments(1)	**(1,405)**	(6,088)
Interest income	**341**	809
Finance costs	**-**	(17)
Settlement of dissented shares	**-**	(42)
	(5,533)	(6,010)

Note:

(1) For the years ended December 31, 2017 and 2016, includes $nil and $3.5 million, respectively, of losses related to foreign exchange forward contracts. GrowMax Resources did not enter into any foreign exchange forward contracts during the year ended December 31, 2017. For the years ended December 31, 2017 and 2016, includes $1.4 million and $2.6 million, respectively, of losses related to deferred payments.

Foreign Exchange Gain (Loss)

Foreign exchange gain (loss) recognized within other income (expense) on the consolidated statement of income (loss) reflects the impact of changes in exchange rates on foreign denominated financial instruments. For the years ended December 31, 2017 and 2016, the Company recognized $3.0 million of foreign exchange losses and $0.1 million of foreign exchange gains, respectively. The foreign exchange gains (losses) recognized in 2017 and 2016 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 subjects the Company to foreign exchange risk, given the various transactions in multiple currencies such as 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 Company entered into Canadian dollar – U.S. dollar foreign exchange forward contracts from time to time during 2016. The Company did not enter into any foreign exchange forward contracts in 2017.

The following table summarizes historic spot exchange rates issued by the Bank of Canada:

Date	Exchange rate	
31-Dec-17	US$1.00=Cdn$1.2545	Soles$1.00=Cdn$0.3872
30-Sep-17	US$1.00=Cdn$1.2480	Soles$1.00=Cdn$0.3822
30-Jun-17	US$1.00=Cdn$1.2977	Soles$1.00=Cdn$0.3997
31-Mar-17	US$1.00=Cdn$1.3299	Soles$1.00=Cdn$0.4099
31-Dec-16	US$1.00=Cdn$1.3427	Soles$1.00=Cdn$0.4001
30-Sep-16	US$1.00=Cdn$1.3117	Soles$1.00=Cdn$0.3874
30-Jun-16	US$1.00=Cdn$1.2917	Soles$1.00=Cdn$0.3955
31-Mar-16	US$1.00=Cdn$1.2987	Soles$1.00=Cdn$0.3908
31-Dec-15	US$1.00=Cdn$1.3840	Soles$1.00=Cdn$0.4056

Gain (Loss) on Sale of Available-for-Sale Financial Assets

During the year ended December 31, 2017, the Company disposed of substantially all of its remaining investments in U.S. dollar denominated bonds issued by the government of Argentina. As a result of disposing bonds for proceeds below cost and movements in foreign exchange rates, the Company recognized losses of $1.5 million and $0.7 million, respectively, as other income (expense) during the years ended December 31, 2017 and 2016. Since the Company has disposed of substantially all of its remaining bonds, the Company does not anticipate recording significant gains/losses on available-for-sale financial assets for the foreseeable future.

Gain (loss) on fair value through profit or loss financial instruments

The following table summarizes fair value gains (losses) recorded on the Company's financial instruments during the years ended December 31, 2017 and 2016:

	Year ended December 31	
($ in thousands)	**2017**	2016
Fair value losses recorded on Deferred payments	**(1,405)**	(2,600)
Fair value losses recorded on Foreign exchange forward contracts	**-**	(3,488)
Loss on fair value through profit or loss financial instruments	**(1,405)**	(6,088)

The Company did not enter into any forward exchange forward contracts during the year ended December 31, 2017.The $1.4 million loss recorded during the year ended December 31, 2017 is primarily a result of the: (i) the decrease in the discount rate and (ii) the passage of time. The $2.6 million loss recorded during the year ended December 31, 2016 is a result of the: (i) the decrease in the discount rate, (ii) updated pricing assumptions and (iii) the passage of time.

Income tax expense

During the year ended December 31, 2017, the Company recognized $nil of current income tax expense, and $0.5 million of deferred income tax recovery related to its operations in Peru. During the year ended December 31, 2016, the Company recognized $0.4 million of current income tax expense and $1.6 million of deferred income tax expense related to its operations in Peru. See note 15 of the December 31, 2017 annual consolidated financial statements for further information.

Discontinued operations

The Company disposed of its remaining oil and gas assets during the year ended December 31, 2016. Accordingly, the Company's oil and gas operations have been classified as discontinued operations. For the years ended December 31, 2017 and 2016, the Company reported $3.8 million of net income and $8.1 million of net loss, respectively, from discontinued operations, net of income tax expense.

During the year ended December 31, 2017, the Company recognized an additional $3.8 million (US$3.0 million) receivable from the sale of Energicon, which is included as a current receivable at December 31, 2017. See note 20 of the December 31, 2017 annual consolidated financial statements for further information.

Other Comprehensive Income (Loss)

During the years ended December 31, 2017 and 2016, the Company reported $1.8 million of other comprehensive loss and $7.1 million of other comprehensive income, respectively.

The reported other comprehensive income (loss) reflects: (i) changes related to available-for-sale financial assets and (ii) foreign currency adjustments which result from translating and consolidating the financial statements of the Company's foreign operations into the Canadian dollar presentation currency.

Because the Company has disposed of substantially all of its remaining bonds, the Company does not anticipate recognizing significant other comprehensive income (loss) on available-for-sale financial assets for the foreseeable future.

1.3 Selected Annual Information

The following financial information has been summarized from the consolidated financial statements of GrowMax Resources:

	As of and for the years ended December 31		
($ in thousands, except per share amounts)(1),(2)	**2017**	2016	2015
Net revenue(2)	**-**	-	-
Net income (loss) from continuing operations attributable to Owners of the Company(2)	**(8,756)**	(12,179)	(2,737)
Basic and diluted earnings (loss) per share from continuing operations attributable to Owners of the Company	**(0.04)**	(0.06)	(0.01)
Net income (loss) attributable to owners of the Company	**(4,934)**	(20,239)	(40,451)

Basic and diluted earnings (loss) per share attributable to Owners of the Company	**(0.02)**	(0.09)	(0.17)
Total assets	**102,110**	108,935	131,433
Total non-current financial liabilities	**10,292**	10,636	3,448
Cash dividends declared	**-**	-	-

Notes:

(1) The financial statements are presented in Canadian dollars and have been prepared in accordance with IFRS. The Company's functional currencies are: Canadian dollar for GrowMax Resources' head office operations and U.S. dollar for GAC and APPSA. The functional currency of Energicon and Petrogas Argentina was, prior to their disposals, the Argentine Peso.

(2) The amounts reported for 2015 reflect a restatement for discontinued operations. The Company's oil and gas operations have been classified as discontinued operations as a result of the sale of Energicon in 2016. See note 20 of the December 31, 2017 annual consolidated financial statements for further information.

Continuing operations

The Company reported a net loss from continuing operations attributable to Owners of the Company of $8.8 million, $12.2 million and $2.7 million, respectively, during the years ended December 31, 2017, 2016 and 2015. The variation in net loss from continuing operations over the past three years is primarily attributable to income taxes and changes in items comprising other income (expense), including: settlement of dissented shares, foreign exchange gain (loss), gain (loss) on sale of available-for-sale financial assets, and gain (loss) on fair value through profit or loss financial instruments.

For further information regarding the results of operations for 2017 and a comparison to 2016, see section 1.2 above.

Discontinued Operations

The sale of Energicon resulted in the Company no longer having interests in conventional and unconventional oil and gas properties in Argentina. Accordingly, all of the Company's revenues, income, expenses, and costs related to oil and gas activities (including those related to Energicon and Petrogas Argentina) have been classified as discontinued operations.

For the year ended December 31, 2017, the Company had $3.8 million of net income from discontinued operations, net of income tax. This income is the result of a receivable recognized from the sale of Energicon during 2017 – see note 20 of the December 31, 2017 annual consolidated financial statements for further information.

For the years ended December 31, 2016 and 2015, the Company had $8.1 million, and $37.7 million, respectively, of net loss from discontinued operations, net of income tax. Discontinued operations for the year ended December 31, 2016 include the operations of Energicon (up until the date it was sold on November 24, 2016). Discontinued operations for the year ended December 31, 2015 includes the operations of Petrogas Argentina (up until the date it was sold on August 28, 2015) and Energicon (for the full year).

Total Assets

The components of GrowMax Resources' total assets for the past three year-ends are as follows:

($ in thousands)	**December 31, 2017**	December 31, 2016	December 31, 2015
Current assets			
Cash and cash equivalents	**39,157**	42,896	56,671
Restricted cash and cash equivalents	**-**	-	13,465
Available-for-sale financial assets	**37**	6,348	7,722
Foreign exchange forward contracts	**-**	-	2,408
Other current assets[(1)]	**4,130**	3,195	2,925
Exploration and evaluation assets	**48,684**	46,075	31,991
Property, plant and equipment	**184**	217	863
Non-current available-for-sale financial assets	**-**	-	5,530
Non-current restricted investments	**6,273**	6,727	6,945
Other non-current assets[(2)]	**3,645**	3,477	2,913
Total assets	**102,110**	108,935	131,433

Notes:

(1) Included in other current assets at December 31, 2017 and 2016 is a receivable for the amount of a $3.8 million (US$3.0 million) and $2.8 million (US$2.1 million), respectively, for the sale of Energicon. Other current assets at December 31, 2015 includes a $1.7 million (US$1.2 million) receivable from the Peruvian Group (a related party to the Company – see section 1.9 for further information).

(2) Relates to value-added tax ("VAT") receivables for APPSA in Peru.

For information regarding changes in the Company's assets from December 31, 2016 to December 31, 2017, see section 1.2 above.

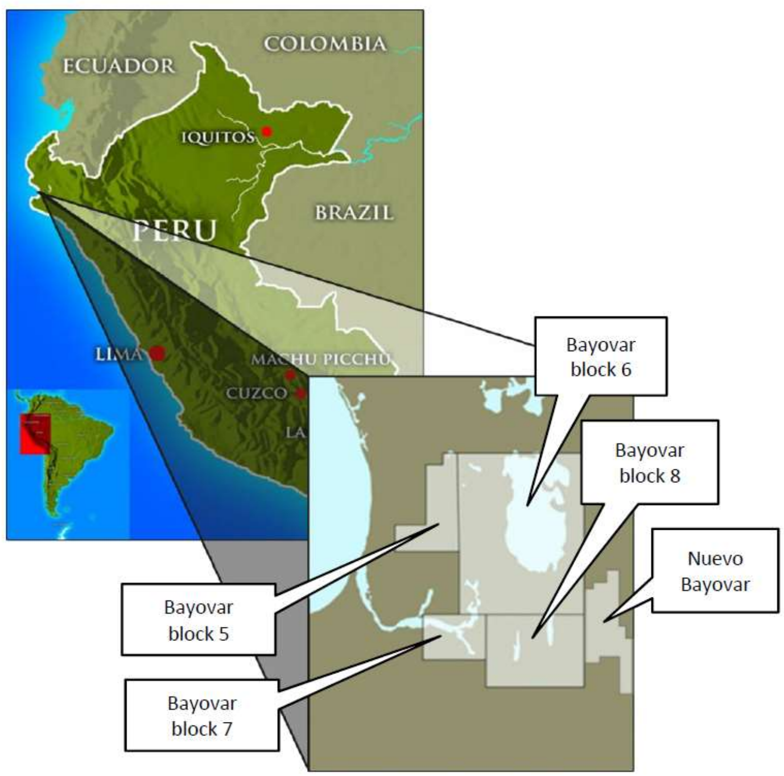
The Company disposed of substantially all of its remaining Argentine bonds (available-for-sale financial assets) during the year ended December 31, 2017 and it does not anticipate purchasing any additional Argentine bonds for the foreseeable future. The Company did not enter into any foreign exchange forward contracts during 2017 and does not anticipate entering into such contracts for the foreseeable future. The Company's balance of exploration and evaluation assets has increased over the years as a result of continued spending on the Company's Bayovar project in Peru. The Company's balance of restricted cash and cash equivalents at December 31, 2015 relates to funds held in escrow from the sale of Petrogas Argentina and funds held for security on foreign exchange contracts, all of which was released during the year ended December 31, 2016.

1.4 Discussion of Operations

Over the past few years, GrowMax Resources has been focused on the exploration, evaluation and development of phosphate and potassium-rich brine resources on its Bayovar Property, located in the Sechura Desert in northwestern Peru. The Company has its (i) corporate office in Canada, and (ii) phosphates, potash brine, and other minerals exploration operations in Peru. As a result of the sale of Energicon in 2016 and Petrogas Argentina in 2015, the Company has no oil and gas operations. All of the Company's oil and gas operations have been classified as discontinued operations.

Bayovar Property in the Sechura Desert of Peru

The following is a map that shows the location of the Company's properties in Peru, which are located in the Bayovar district within the Sechura Desert, Peru. The Bayovar Property includes blocks 5, 6, 7 and 8.



In September 2008, APPSA entered into the Bayovar agreement with Activos Mineros S.A.C. of the government of Peru, which provided APPSA the option to acquire a net 70% participating interest in the Bayovar Property. In May 2014, APPSA exercised the option and the Transfer Agreement was executed granting a net 70% interest in the Bayovar Property to APPSA. Until early 2016, the remaining 30% participating interest in the Bayovar Property was held by the Peruvian Group which was fully carried by the Company until completion of an acceptable feasibility study (see section 1.9 for further information). In early 2016, APPSA purchased the remaining 30% interest from the Peruvian Group to hold 100% of the Bayovar Property (see section 1.9 for further information). The execution of the Transfer Agreement resulted in certain commitments for APPSA. During the second quarter of 2017, a two-year extension and modification to the Company's commitments under the Transfer Agreement was approved (see section 1.7 for further information).

In May 2009, following the signing of the Bayovar option agreement, APPSA executed a surface rights access agreement with the Community Foundation of San Martin de Sechura that provides APPSA the unconditional right of surface access to the Bayovar Property for 30 years. APPSA has the right to extend the surface rights access agreement to a total of 99 years. In April 2017 the Company executed an additional agreement with the Community (refer to "*Community Agreement*" below).

In 2014, the Company officially recorded (with the public registry in Peru) 10,200 additional gross hectares (approximately 25,205 acres or 102 square kilometers) of concessions in the Bayovar district within the Sechura Desert, Peru. When added to the Company's original Bayovar Property (concessions 5, 6, 7 and 8), which measures in excess of 82,000 gross hectares (202,600 acres or 820 square kilometers), the Company holds registered concessions totaling 92,200 gross hectares (227,831 acres or 922 square kilometers) in the Bayovar district within the Sechura Desert, Peru.

The Company's concessions in Peru are located near a well-developed area with access to major highways/thoroughfares, power transmission lines, oil and gas pipelines, and ports that provide access to regional and global markets.

Potash Brine

Mineral salt containing brines occur in coastal salt flats at the Bayovar Property. These brines contain sodium, chloride, potassium, sulfate, magnesium, and other potentially valuable minerals.

From 2008 to 2015 the Company's objective was to create potential value from the brine, with focus on exploration, evaluation and development with future plans to produce potassium chloride, also known as Muriate of Potash ("MOP"). In 2013, the Company received an independent estimate of potash resources available in the brine on the Bayovar Property in the form of MOP. This resource estimate is available at www.sedar.com in chapter 14 of the report titled "Amended and Restated NI 43-101 Mineral Resource Statement for Mineral Concessions Bayovar 5 to 8, Sechura Area, Piura Province, Peru" with an effective date of January 11, 2013.

Following an engineering concept design review in early 2016, the Company changed its planning to the potential development of potassium sulfate, also known as SOP.

In early 2017, the Company received the results of a SOP study. Flotation tests conducted using pond samples of Kainite and Carnallite obtained from pilot pond test operations at the Company's Bayovar Property confirmed the theoretical viability of producing SOP from these products. A leading global potash engineering consultant was engaged to provide the Company with a design and engineering study for a pilot potash project on the Bayovar Property. The study included capital and operating cost estimates for a pilot facility, including evaporation ponds and a processing plant, for the production of 5,000 tonnes per year of soluble SOP. The pilot facility design envisioned the production of Kainite and Carnallite from evaporation ponds covering between 50 and 60 hectares, and the processing of those minerals to produce 5,000 tonnes per year of soluble SOP. The production process was also expected to produce 185,000 tonnes per year of Sodium Chloride (NaCl) salt.

Preliminary permits have been received and an application has been submitted for a semi-detailed environmental impact assessment, approval of which would allow the Company to commence construction of the SOP pilot project. The Company is now in the process of reviewing options to commence detailed engineering designs and tendering of construction contracts. During this process, it was decided to test multiple potential process optimizations on a small scale in order to potentially reduce cost estimates. As a result of choosing to evaluate these potential optimizations, the Company is now targeting an investment decision for the project in 2018.

The remainder of 2017 and the focus for 2018 (with respect to the potash brine), was and is to review and assess the optimization of the project with respect to production and project economics. Economic evaluation information for the project was provided to ProInversion in March of 2018. The Company is currently in the process of analyzing this information and reviewing alternatives relating to certain variables in the study. If the project is shown to be economically viable, the Company will seek finance and partnership opportunities in order to develop the project.

Phosphates

The Company believes the Bayovar Property area has considerable phosphate resources located in the southern and western portions of the property.

On August 11, 2016, the Company filed a technical report which included an updated mineral resource estimate, titled 'Mineral Resource Technical Report on the GrowMax Bayovar Phosphate Project, Piura Region, Peru', including an initial mineral resource estimate for one of the concessions, for its Bayovar phosphate project. The independent estimate was prepared by a global consultant and was an update of the previous Mineral Resource estimates prepared by the same consultant dated May 11, 2015 and April 28, 2016. The Resource Estimation was prepared under the supervision of Jerry DeWolfe, MSc. P.Geo, an Independent Qualified Person for purposes of National Instrument 43-101 ("NI 43-101").

This latest Mineral Resource estimate update was based on all holes drilled by the Company to date including 2016 drilling on the Bayovar 5, 6, 7 and 8 concessions. The update resulted in a total of 29.7 million tonnes (dry) of Measured Resources (average grade of 12.00% P_2O_5, Bayovar 7), 149.3 million tonnes (dry) of Indicated Resources (average grade 12.48% P_2O_5; Bayovar 6, 7 & 8 combined) and 430.1 million tonnes (dry) of Inferred Resources (average grade 13.60% P_2O_5; Bayovar 5, 6, 7 & 8 combined). For additional information, including applicable disclosures, please refer to that report, which is available on SEDAR at www.sedar.com under GrowMax Resources Corp.

In 2016, the Company received the results of an independent preliminary economic assessment ("PEA") for its Bayovar 7 phosphate project on the Bayovar Property. The results were announced on September 12, 2016 and the PEA report was filed on SEDAR on October 27, 2016. For further information, including applicable disclosures, refer to the PEA report which is available on SEDAR at www.sedar.com under GrowMax Resources Corp.

The Company is currently also considering completion of engineering designs for a small-scale pilot mine on the Bayovar 7 block that could potentially produce less refined phosphate rock than envisaged in the PEA, and would focus exclusively on supplying the local and regional markets for direct application phosphate rock. Information obtained from potentially designing and building such a pilot mine could provide useful geological and marketing information for a possible optimization of a larger scale mine as contemplated in the PEA.

Community Agreement

The Company worked with the local community (the "Community") and the Communal Foundation of San Martin de Sechura (the "Foundation") to reach an agreement that will both aid the Community as well as create support for GrowMax Resources' projects in the Bayovar area.

On April 28, 2017, the Company, the Community and the Foundation executed an agreement that grants Community members free access to surface water, and excludes the use of surface water from the local La Nina lagoon and the existing Yerba Blanca well in the Company's mining activities. In return, the Community and the Foundation agreed to support the Company in carrying out all necessary activities to progress its projects without delay.

In June 2017, a public workshop was commenced to provide project information to local communities regarding the Company's phosphate projects. This workshop is part of the process required for permitting projects in Peru. The workshop was suspended due to a request for a more formal meeting, a "Mesa de Trabajo", by the mayor of the Sechura area. This meeting was successfully held on August 5, 2017 at the office of the Regional Director of Energy and Mines of the Regional Government of Piura with key stakeholders (regulatory, government and community).

<u>Milestones</u>

Potash Brine

As described above, following an engineering concept design review in early 2016, the Company changed its planning from being focused on the potential development of MOP to the potential development of SOP.

During the second quarter of 2017, in order to pursue the SOP-focused project, the Company received an extension and modification of its original production and investment obligations/commitments under the Transfer Agreement (see section 1.7 for further information).

In 2016 and continuing into 2017, the Company, with the assistance from a major global engineering consulting firm, developed basic engineering designs for a new SOP-focused pilot project (as described above) and started working towards the development of detailed engineering designs. The Company also received approvals of preliminary permits to develop the project and is working towards submission of additional permit applications.

In March 2018, the Company submitted an updated revised economic study to ProInversion relating to the brine resource.

In order to commence commercial production of SOP, the Company will need to:

- complete detailed engineering designs and a development plan;
- progress social, environmental and permitting requirements;
- construct solar evaporation ponds and a processing plant for the production of SOP;
- conclude sales, marketing and transportation agreements; and

- finance the project.

The Company recently contracted a brine project manager with over 20 years of experience in mechanical engineering and the design and development of brine projects.

The Company continues to consider its options with relation to the brine project. Optimization studies and economic evaluations are underway as are discussions with potential financial partners. An investment decision as not yet been made.

Phosphates

The Company completed significant exploration drilling for phosphates, updated its phosphate resource estimates for the Bayovar Property, and completed a PEA for a potential mine on the Bayovar 7 block, as described above and in more detail in the PEA.

In order to advance towards the commercial production of phosphates at the Bayovar Property, the Company will need to complete further investigations and studies of domestic and regional sales of phosphate rock and to progress on social, environmental and permitting requirements. The Company intends to continue to pursue these objectives in 2018, however spending will be reduced until market conditions again warrant increased levels.

Depending on the outcome of market studies, the Company will consider progressing the concept of a large-scale mine, similar to the design concept outlined in the PEA, by completing a feasibility study. At the same time, the Company is working toward submission of permit applications and completion of engineering designs that could allow for construction and commencement of pilot production from a small-scale pilot mine.

1.5 Summary of Quarterly Results

($ in thousands, except per share amounts)(1),(2)	Dec 31-17	Sep 30-17	Jun 30-17	Mar 31-17	Dec 31-16	Sep 30-16	Jun 30-16	Mar 31-16
Net revenue(2)	-	-	-	-	-	-	-	-
Net income (loss) from continuing operations attributable to Owners of the Company(2)	(435)	(2,737)	(2,579)	(3,005)	(1,658)	(1,663)	(2,804)	(6,054)
Basic and diluted earnings (loss) per share from continuing operations attributable to Owners of the Company	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)
Net income (loss) attributable to Owners of the Company	3,387	(2,737)	(2,579)	(3,005)	(8,046)	(1,877)	(4,333)	(5,983)
Basic and diluted earnings (loss) per share attributable to Owners of the Company	0.02	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)	(0.02)	(0.03)
Net income (loss) from discontinued operations, net of income tax(2)	3,822	-	-	-	(6,386)	(214)	(1,529)	69

Notes:

(1) The financial statements are presented in Canadian dollars and have been prepared in accordance with IFRS. The Company's functional currencies are: Canadian dollar for GrowMax Resources' head office operations and U.S. dollar for GAC and APPSA.

(2) The Company's oil and gas operations have been classified as discontinued operations as a result of the sale of Energicon in the fourth quarter of 2016 – see note 20 of the December 31, 2017 annual consolidated financial statements for further information.

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

($ in thousands)[(1)]	Dec 31-17	Sep 30-17	Jun 30-17	Mar 31-17	Dec 31-16	Sep 30-16	Jun 30-16	Mar 31-16
General & administrative expense								
Depreciation	(7)	(5)	(7)	(6)	(6)	(6)	(5)	(6)
Stock-based compensation expense	(42)	(47)	(66)	(105)	(65)	(127)	(121)	(162)
Other general and administrative	(582)	(930)	(1,188)	(822)	(205)	(1,142)	(1,958)	(971)
Other income (expense)								
Finance costs	-	-	-	-	-	-	-	(17)
Interest income	67	157	63	54	154	177	233	245
Settlement of dissented shares	-	-	-	-	-	-	-	(42)
Foreign exchange gain (loss)	341	(1,674)	(1,068)	(593)	227	817	28	(997)
Gain (loss) on sale of available-for-sale financial assets	-	-	-	(1,475)	(62)	(583)	4	(106)
Gain (loss) on foreign exchange forward contracts (fair value through profit or loss financial instruments)	-	-	-	-	886	(19)	(558)	(3,797)
Gain (loss) on deferred payments (fair value through profit or loss financial instrument)	(186)	(252)	(390)	(577)	(1,097)	(605)	(627)	(271)
Income tax recovery (expense)	92	(53)	(18)	437	(2,028)	-	-	-

Note:

(1) The Company's oil and gas operations have been classified as discontinued operations as a result of the sale of Energicon in the fourth quarter of 2016 – see note 20 of the December 31, 2017 annual consolidated financial statements for further information.

Stock-based compensation expense arises from the vesting of stock options. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest.

Foreign exchange gain (loss) reflects the impact of changes in exchange rates on foreign denominated financial instruments. See section 1.2 for further information regarding the movement in foreign exchange rates.

Fluctuations in the U.S. dollar – Canadian dollar exchange rate also have resulted in the Company recognizing gain (loss) on foreign exchange forward contracts. During the second half of 2015, the Company began entering into Canadian dollar – U.S. dollar foreign exchange forward contracts. The Company did not enter into any foreign exchange forward contracts during 2017 and it doesn't anticipate entering into any foreign exchange forward contracts in the foreseeable future.

Gain (loss) on sale of available-for-sale financial assets results from the disposal of Argentine bonds. Substantially all of the Company's remaining available-for-sale financial assets were disposed of in 2017 and the Company does not anticipate making further investments in Argentine bonds in the foreseeable future.

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

For further information, see section 1.2 above.

1.6 Liquidity

Overall

As of December 31, 2017, GrowMax Resources had $39.2 million of cash and cash equivalents. As well, at December 31, 2017, the Company had a positive working capital position of $39.6 million. The Company's near-term activities and near-term investment commitments are expected to be funded with the Company's existing cash and cash equivalents. However, additional funding (from issuing equity, debt financing, sale of assets or other means) may be required in the future to fund the Company's future exploration, evaluation and development activities.

For further information, see the Business Risk Factors disclosures below in section 1.15.

Other

The Company's financial instruments as of December 31, 2017 consist of cash and cash equivalents, various receivables included in other current assets, restricted investments, bonds receivable from Tecpetrol, accounts payable and accrued liabilities, various payables included in other current liabilities, payable to Peruvian Group, and deferred payments. For additional information on financial instruments, see section 1.14 below. The Company has commitments related to its mining activities – for further information, see section 1.7 below.

1.7 Capital Resources

Fertilizer project - Peru

In May 2014, APPSA officially exercised the option to acquire the Bayovar Property, and the Transfer Agreement for the Bayovar Property was executed. In the first quarter of 2016, APPSA acquired an additional 30% working interest in the Bayovar Property (from a related party – see section 1.9 for further information), which increased APPSA's working interest in the Bayovar Property from 70% to 100%.

During the second quarter of 2017, a two-year extension and modification to the Company's commitments pursuant to the Transfer Agreement was approved. Below are the outstanding commitments related to the project:

- Commence production by May 2019;
- Payments of US$0.48 million to a Peruvian state-owned company (US$0.24 million was paid during the second quarter of 2017 and the balance of US$0.24 million to be paid in May 2018), half of which will be distributed by the Peruvian state-owned company to the local community;
- Produce a minimum of 70% of the annual sales volume set forth in the applicable economic study; and
- Invest a minimum of US$19.8 million in the project from May 2016 to May 2019, of which the Company had fulfilled approximately US$3.6 million up to May 2017.

The Company's restricted investments balance at December 31, 2017 ($6.3 million) and December 31, 2016 ($6.7 million) relates to a US$5.0 million performance bond posted for its commitments in Peru. The performance bond may be foreclosed, and the Transfer Agreement may be terminated, should the capital cost investment and/or the minimum production commitments not be met.

The Transfer Agreement requires future production-related payments to be paid to a Peruvian state-owned company based on future production levels. The future payments to the Peruvian state-owned company are, for accounting purposes, considered deferred payments.

The Company entered into a separate agreement with the local community for surface easement and access rights which requires future production-related payments to the local community based on future production levels. The surface easement and access rights agreement requires the following future production-related payments (based on future production levels) to the community: production bonus of US$33.00 to be paid for each metric tonne of potassium chloride mineral sold from the Bayovar Property. With respect to each tonne of any other non-metallic minerals produced from the Bayovar Property, the price to be paid will be determined as follows: US$33.00 multiplied by the relative market price of the other non-metallic mineral to the market price of potassium chloride. Unlike the future payments to the Peruvian state-owned company, future payments to the community have not been recognized in the consolidated financial statements. Such future payments to the community will be recognized in the consolidated statement of income (loss) as incurred as they are related to surface easement and access rights.

The future production-related payments payable to the local community, which will ultimately depend on future production volumes and product prices, are currently estimated as follows:

Not later than one year	$nil
Later than one year and not later than five	$2.9 million (US$2.3 million)
Beyond five years up to 28 years	$30.7 million (US$24.5 million)
Total	$33.6 million (US$26.8 million)

Office leases - Peru

The Company has entered into lease contracts for office space in Peru. The future minimum lease payments payable under these operating leases are as follows:

Not later than one year	$0.2 million (US$0.1 million)
Later than one year and not later than five	$0.4 million (US$0.3 million)
Total	$0.6 million (US$0.4 million)

Summary

If the Company makes the decision to increase the amount of its exploration, evaluation and development activities, the Company will require additional funding for more drilling and development activities (beyond the minimum commitments). The Company believes that such additional funding may be available, if the economics support the project and successful progress is demonstrated. However, there is no assurance that additional funding will be available, or if available, that it will be on terms acceptable to the Company. For further information, see section 1.6 above.

In addition to equity financing, possible opportunities for funding include financial partners or project financing. GrowMax Resources does not have any general credit facilities. As exploration and evaluation work progresses, the Company's financing plans could change, and the change could be material.

There are several key factors that can impact the plans and expectations regarding fulfilling the capital commitments and availability of capital resources, including, but not limited to, the need for government approvals, environmental approvals, community relations, adverse weather conditions, phosphates prices, potash/carnallite prices, costs of production, the degree of success, if any, in finding minerals, and the availability of new funding on terms acceptable to the Company.

1.8 Off-Balance Sheet Arrangements

The Company has operating leases as noted in section "1.7 Capital Resources" above.

1.9 Transactions with Related Parties

In 2017 and 2016, in addition to key management personnel, related parties consisted of (i) a private Peruvian company controlled by a close family member of Carlos Lau (a director of the Company), and (ii) the corporate secretary of the Company.
The Company incurred the following fees and expenses in connection with related parties (excluding compensation of key management personnel, which is shown in the next section):

	Year ended December 31	
($ in thousands)	**2017**	2016
Legal fees(1)	**230**	468
Consulting fees(2)	**-**	120
Termination costs(2)	**-**	781
Stock-based compensation expense(3)	**5**	16
	235	1,385

Notes:

(1) The legal fees were incurred from the corporate secretary of GrowMax Resources. Of the $230,000 legal fees incurred during the year ended December 31, 2017, $176,000 was included in other general and administrative expenses within continuing operations and $54,000 was netted against the gain on sale of disposal group within discontinued operations. Of the $468,000 legal fees incurred during the year ended December 31, 2016, $314,000 was included in other general and administrative expenses within continuing operations and $154 netted against the gain on sale of disposal group within discontinued operations. During the years ended December 31, 2017 and 2016, the Company issued nil and 50,000 respectively, of share options to the corporate secretary of GrowMax Resources.

(2) The consulting fees were incurred from a private Peruvian company controlled by a close family member of Carlos Lau (a director of the Company). The termination costs incurred during the year ended December 31, 2016 related to the termination of the consulting arrangement with this related party.

(3) Reflects the amount recorded as an expense in the consolidated statement of income (loss). The fair value of stock-based compensation is measured at grant date using an option pricing model and is recognized as an expense over the vesting period.

Compensation of key management personnel

During the year ended December 31, 2017, key management personnel consisted of the Executive Chairman/Interim Chief Executive Officer, the President/Chief Executive Officer, the Chief Financial Officer, the Executive Vice President and the Board of Directors. The remuneration of key management personnel during the years ended December 31, 2017 and 2016 was as follows:

($ in thousands)	Year ended December 31 **2017**	2016
Short-term employee benefits[(1)]	**1,982**	1,864
Pension costs – defined contribution plans	**21**	25
Stock-based compensation expense[(2)]	**245**	392
	2,248	2,281

Notes:

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

(2) Reflects the amount recorded as an expense in the consolidated statements of income (loss). The fair value of stock-based compensation is measured at grant date using an option pricing model and is recognized as an expense over the vesting period.

During the years ended December 31, 2017 and 2016, the Company granted 3,100,000 and 1,400,000, respectively, of share options to key management personnel.

Bayovar concession

As a result of the execution of the transfer agreement for the Bayovar Property in May 2014, APPSA had a net 70% interest in the Bayovar Property. A close family member of Carlos Lau held, on behalf of a Peruvian group ("the Peruvian Group"), the remaining 30% interest in the Bayovar Property. In 2016, the Company increased APPSA's working interest in the Bayovar Property from 70% to 100% by acquiring the additional 30% interest from the Peruvian Group – see note of the December 31, 2017 annual consolidated financial statements for further information.

Kisan and IFFCO

One of the directors of GrowMax Resources and one of the directors of GAC is a representative of the Indian Farmers Fertiliser Co-operative ("IFFCO"). Kisan, a subsidiary of IFFCO, owns approximately 15% of the shares of GrowMax Resources.

Up to June 30, 2016, Kisan and IFFCO combined owned 10.77% of the shares of GAC. During the second quarter of 2016, GAC issued additional 26,121,589 common shares to GrowMax Resources, which reduced Kisan and IFFCO's combined ownership of GAC from 10.77% to 8.41%. During the third quarter of 2017, GAC issued additional 62,815,294 common shares to GrowMax Resources, which further reduced Kisan and IFFCO's combined ownership of GAC from 8.41% to 5.50%.

Kisan has a pre-emptive right to participate in the sale of any additional equity securities and any non-equity securities that are convertible into equity securities by GrowMax Resources., at the same price as other participants in such financing, up to its pro-rata interest determined at the time of the proposed issuance of securities. Up until GAC completes a public equity offering of its shares resulting in its shares being listed on a recognized stock exchange under Canadian securities law, Kisan and IFFCO each have a pre-emptive right to participate in the sale of any additional equity securities and any non-equity securities that are convertible into equity securities by GAC, at the same price as other participants in such financing, up to its pro-rata interest determined at the time of the proposed issuance of securities.

In May 2011, GAC and APPSA signed an offtake agreement to supply Kisan up to one-half of the total future potash production from the Bayovar project. The key terms and conditions of the potash offtake agreement include: (a) selling up to 50% of future potash production from the Bayovar project to the IFFCO group of companies; (b) a contract term of 15 years from the commencement date of commercial production from the Bayovar project; and (c) potash price to be paid will be based on prevailing potash market price (India delivery) subject to a modest discount towards offtake obligations.

In December 2017 APPSA entered into a phosphate rock offtake agreement with Kisan. Subject to the terms of the Agreement, Kisan has agreed to purchase not less than 50% of the phosphate rock produced from APPSA's Bayovar project, up to a total of 500,000 metric tonnes per annum. The Agreement has an initial term of 15 years commencing once APPSA has established commercial production of phosphate rock from the Bayovar project for not less than 30 consecutive days. The price of the phosphate rock shall be based upon prevailing phosphate rock prices in Peru or South America at the time of sale.

GrowMax Agri Corp.

During the second quarter of 2016, GAC issued 26,121,589 of its common shares to GrowMax Resources to settle $7.3 million (US$5.6 million) of intercompany debt owed by GAC to GrowMax Resources. This resulted in GrowMax Resources' ownership interest in GAC increasing from 89.23% to 91.59%. It also resulted in an increase in the non-controlling interest balance by $46,000 with a corresponding increase in deficit.

During the third quarter of 2017, GAC issued 62,815,294 of its common shares to GrowMax Resources to settle $13.3 million (US$10.6 million) of intercompany debt owed by GAC to GrowMax Resources. This resulted in GrowMax Resources' ownership interest in GAC increasing from 91.59% to 94.50%. It also resulted in an increase in the non-controlling interest balance by $8,000 with a corresponding increase in deficit.

Energicon

On November 24, 2016, the Company sold all of the issued and outstanding common shares of Energicon – see note 20 of the December 31, 2017 annual consolidated financial statements for further information.

1.10 Fourth Quarter

See section 1.5 above.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. For further information, see note 4 of the annual consolidated financial statements for the year ended December 31, 2017.

1.13 Change in Accounting Policies including Initial Adoption

(i) Effective for annual periods beginning on or after January 1, 2018:

- New standard, IFRS 15, Revenue from contracts with customers
- New standard, IFRS 9, Financial instruments

(ii) Effective for annual periods beginning on or after January 1, 2019:

- New standard, IFRS 16, Leases

There are additional new and amended accounting standards that have not been described herein as they are not expected to have a material impact on the Company.

See note 3(v) of the December 31, 2017 annual consolidated financial statements for further information.

1.14 Financial Instruments and Other Instruments

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

($ in thousands)	**December 31, 2017**	December 31, 2016
Financial assets		
Loans and receivables		
Cash and cash equivalents	**39,157**	42,896
Other current assets	**3,764**	2,800
Restricted investments	**6,273**	6,727
	49,194	52,423

Available-for-sale financial assets		
Bonds	**-**	612
Bonds receivable from Tecpetrol	**37**	5,736
	37	6,348
Financial liabilities		
FVTPL financial liabilities		
Deferred payments	**6,867**	5,897
Other financial liabilities		
Accounts payable and accrued liabilities	**1,535**	2,140
Current payable to Peruvian Group	**1,763**	-
Non-current payable to Peruvian Group	**3,425**	4,739
Other current liabilities	**302**	-
	7,025	6,879

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

The fair value of the non-current portion of the Payable to the Peruvian Group (which is carried on the consolidated statement of financial position at amortized cost) is approximately $3.8 million at December 31, 2017. This fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value of this instrument was determined using a discounted cash flow method based on the future expected payments to the Peruvian Group. In estimating the discount rate, the Company relied on U.S. government bond rates, Peruvian government bond rates, and the yield to maturity of high risk debt.

The fair value of the deferred payments is its carrying value. The fair value of this instruments was determined using a discounted cash flow method.

The fair value of the bonds and the receivable from Tecpetrol related to these bonds, are their carrying values. The fair value of these financial instruments was determined based on quoted market prices at the statement of financial position date

Income, expenses, gains and losses associated with financial instruments are generally reported under other income (expense) in the consolidated statement of income (loss). Unrealized gains and losses on available-for-sale financial instruments are reported as other comprehensive income (loss).

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

Currency Risk

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

The Company’s consolidated financial statements are presented in Canadian dollars. The functional currency of GrowMax Resources’ head office operations is the Canadian dollar. The functional currency of GAC and APPSA is the U.S. dollar. The functional currency of Energicon, prior to its disposal, was the Argentine Peso.

Although the Company’s head office operation has a Canadian dollar functional currency, the operation incurs some expenditures in U.S. dollars and makes significant investments in U.S. dollars. Conversely, GAC has a U.S. dollar functional currency but incurs some expenditures in Canadian dollars. Accordingly, the Company is exposed to foreign exchange risks pertaining to the Canadian dollar - U.S. dollar exchange rate. APPSA incurs expenditures in U.S. dollars, Canadian dollars and Peruvian Soles.

As a result of the sale of Energicon in 2016, the Company is no longer exposed to foreign exchange risks pertaining to the Argentine Peso – U.S. dollar exchange rate.

The Company did not enter into any foreign exchange forward contracts during 2017 and it does not anticipate entering any such contracts for the foreseeable future.

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 deferred payments (see note 10 of the December 31, 2017 annual consolidated financial statements for further information) exposes the Company to some interest rate risk. The Company monitors its exposure to interest rates but has not entered into any derivative financial instruments to manage this risk.

Commodity Price Risk

The company is currently in exploration and evaluation phase and is not selling any products. Accordingly, the Company has limited exposure to commodity price risk in the near term. However, commodity prices can significantly affect the economics and feasibility of future projects and can also impact the carrying value of the deferred payments liability. (see note 10 of the December 31, 2017 annual consolidated financial statements for further information).

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. To the best of the Company's knowledge, based on prior payment history, none of the counterparties are at any significant risk of failure.

As at December 31, 2017, the Company's restricted investments and the majority of its cash and cash equivalents are held with a financial institution in Canada that was assigned a long-term issuer default rating of AAA (Fitch Ratings).

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 and cash equivalents.

To date, the Company had relied on cash flows from operations, equity and debt financing, sale of assets, and farm-outs to fund its operations and capital expenditures. On August 28, 2015 the Company sold its main revenue-producing property. For additional information, see section 1.6.

1.15 Other MD&A Information not disclosed elsewhere and Advisories

Disclosure of Outstanding Share Data

As of April 12, 2018, the Company has the following securities outstanding:

Description of Security	Number of Securities Outstanding	Additional Comments
Common Shares	213,925,645	
Stock Options	9,208,334	Exercisable at prices ranging from $0.11 to $1.88 and which expire between May 2018 and December 2022.
Warrants	2,000,000	Exercisable at a price of $0.25 provided that the trading price of the Common Shares is $0.75 or higher for not less than ten (10) consecutive trading days on the TSX Venture Exchange. Expire on November 23, 2018.

Business Risk Factors

The risks associated with the Company's business and operations and generally with its industry segment are set out below. These risks and uncertainties below are not exhaustive and are not the only risk factors affecting the business and affairs of the Company. There are additional risks and uncertainties of which the Company is not presently aware or that the Company currently considers immaterial but which may also impair the Company's business operations and cause the price of its Common Shares to decline. If any of the following risks actually occur, the Company's business may be materially harmed and the Company's financial condition and results of operations may suffer significantly. In that event, the market price of the Company's Common Shares could decline.

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 Resources holds rights will lead to a discovery of reserves or, if there is a discovery of reserves, that GrowMax Resources will be able to realize the reserves. If at any time GrowMax Resources is unable to or prevented from pursuing its exploration or development programs, or such programs are otherwise discontinued, GrowMax Resources' business, financial condition and results of operations could be materially and adversely affected.

Exploration and development activities may be delayed or adversely affected by factors outside the control of GrowMax Resources. These include adverse climatic and geographical conditions, local community disputes, labour disputes, surface rights disputes, the actions of joint venture partners, delays in obtaining governmental permits, shortage or delays in installing and commissioning plant and equipment or import/customs delays.

Mining operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of GrowMax Resources depends on its ability to find, acquire, develop and commercially produce reserves. A future increase in the Company's reserves will depend on the Company's ability to explore and develop its existing properties and/or on the Company's ability to select and acquire new or additional producing properties or prospects. No assurance can be given that GrowMax Resources will be able to locate other satisfactory properties for acquisition or participation on economically favourable terms or at all or that reserves will be established from existing properties. Moreover, if such acquisitions or participations are identified, management of GrowMax Resources may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of minerals will be discovered or acquired by GrowMax Resources.

Community Relations

The Company's relationship with the host communities where it operates is critical to ensure the future success of its existing operations and the construction and development of its project. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Certain organizations oppose globalization and resource development and are often vocal critics of the mining industry and its practices. Adverse publicity generated by such organizations or others related to extractive industries generally, or the Company's operations specifically, could have an adverse effect on the Company's reputation. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its project, which could have a material adverse impact on the Company's results of operations, financial condition and prospects. While the Company is committed to operating in a socially responsible manner, there is no guarantee that the Company's efforts in this respect will mitigate this potential risk.

The Company's Bayovar Property may be subject to the rights or the asserted rights of various community stakeholders and other indigenous peoples. The presence of community stakeholders may impact the Company's ability to develop or operate its mining property or to conduct exploration activities. Accordingly, the Company is subject to the risk that one or more groups may oppose the continued operation, further development or new development or exploration of the Company's current or future mining properties and projects. Such opposition may be directed through legal or administrative proceedings, or through protests or other campaigns against the Company's activities. Governments in many jurisdictions must consult with, or require the Company to consult with, indigenous peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. Consultation and other rights of indigenous peoples may require accommodation including undertakings regarding employment, royalty payments and other matters. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles, permits or licenses in these jurisdictions and may affect the timetable and costs of development and operation of mineral properties in these jurisdictions. The risk of unforeseen title claims by indigenous peoples also could affect existing operations as well as development projects.

These legal requirements may also affect the Company's ability to expand or transfer existing operations or to develop new projects.

Weather and Climate

Physical effects of weather, climate change, and climate change legislation, could have a negative effect on the Company's operations and results of operations. The potential physical effects of climate change could have an adverse effect on the Company and the Company's customers. These effects could include changes in weather patterns (including drought and rainfall levels), water availability, storm patterns and intensities, flooding, land use and water management patterns, and temperature levels. In addition, legislators and regulators regularly consider ways to reduce greenhouse gas emissions in an effort to mitigate climate change. Any new rules could have a significant impact on the Company's operations and products and could result in substantial additional costs for the Company.

Major weather events such as heavy rainfall can result in water inflows into the Company's property and the surrounding area, where regional service providers, employees, transportation, transmission and communication infrastructure could be impacted. If the Company experiences water inflows into the Company's property, the Company's employees could be injured and the Company's ability to construct mines, evaporation ponds and associated facilities could be seriously affected. The Company could be forced to shut down the affected exploration, development or production operations temporarily, potentially resulting in significant production delays, and spending substantial funds to repair or replace damaged ponds or equipment. Inflows may also destabilize the ponds and equipment, resulting in safety hazards for employees and potentially leading to the abandonment of operations.

Weather conditions could negatively impact production from ponds and related facilities. For example, heavy rainfall in certain months, just after the evaporation season ends, could reduce the amount of potash the Company is able to produce. Similarly, lower-than-average temperatures or higher-than average seasonal rainfall would reduce evaporation rates and therefore impact production. The potential effects of climate change may increase the possibility of adverse weather conditions. If the Company experiences heavy rainfall or low evaporation rates, the Company would have less product available for sale, and the Company's sales and results of operations could be adversely affected.

GrowMax Resources is monitoring the impact of recent heavy rains and associated flooding that has occurred in recent months in the coastal areas of Peru, including the Piura region, where the Company's Bayovar Property is located.

The Company's primary concern and focus is for the health and safety of its personnel. The Company is equally concerned for the people and communities in Peru that have been most heavily impacted. The Company's staff worked to assist with taking emergency provisions and assistance to local communities in the area surrounding the Bayovar Property during and after the record rainfall and flooding, within the framework of the Company's existing community relations programs.

Non-Fulfillment of Commitments

As a result of the execution of the Transfer Agreement, the Company has commitments/obligations related to its potash project. There is no assurance that future extensions or modifications will be approved subsequent to May 2019 to meet adjusted commitments/obligations. GrowMax Resources could be required to write down the investment in its mining properties, should the extension or modification not be approved. The write down could be material.

The Company's restricted investments balance at December 31, 2017 and 2016 relates 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 may be foreclosed and the Transfer Agreement may be terminated, should the capital cost investment and/or the minimum production commitments not be met.

Agreements, Permits and Licenses

The operations of the Company require agreements, licenses and permits from various governmental authorities and holders of surface rights. The Company currently has several agreements, licenses and permits that allow it to conduct exploration operations. The future operations of the Company will require additional agreements, licenses and permits from various governmental authorities and holders of surface rights, and there can be no assurance that the Company will be able to obtain or maintain all such additional agreements, licenses and permits. In addition, there can be no assurance that any existing agreements, licenses and permits will be renewable if and when required or that such existing agreements, licenses and permits will not be revoked.

Uncertainty of Resource/Reserve Estimates

The mineral resource estimates in respect of the Company's potash and phosphates projects, while prepared in accordance with NI 43-101, are based on limited information acquired through drilling and related activities. The Company's PEA for phosphates on Bayovar 7 Concession incorporates information from the mineral resource estimates.

There can be no assurance that the anticipated volumes and grades will be achieved or that the indicated level of recovery will be realized. The volume and grades actually recovered may differ materially and adversely from the estimates. Future production could differ dramatically from resource estimates for, among others, the following reasons:

- formations could be different from those predicted by drilling, pump testing, analysis and similar examinations;
- increases in operating costs and processing costs could adversely affect resource estimates;
- the grade and volume of the brine, and the rate of evaporation could vary significantly from time to time;
- the grade and volume of the phosphate resources could vary significantly from one area of the concession to another; or
- declines in the market price of potash and phosphates may render the resources uneconomic.

Any of these factors may require the Company to reduce its resource estimate and/or increase its costs. Should the market price of potash and/or phosphates fall, GrowMax Resources could be required to materially write down its investment in its properties or delay or discontinue exploration, production, or development of its projects.

Economic, Political and Legal Risk

GrowMax Resources' 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. The Company's property interests and exploration activities in emerging nations are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations.

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. Peru's recent political and fiscal regimes were generally favourable to the mining industry and have been relatively stable over the past ten years or so. However, there is a risk that this will change.

In addition, labour in Peru is customarily unionized and there are risks that labour unrest or wage agreements may adversely impact the Company's operations. These and other uncertainties associated with the Company's mineral property interests being located in a developing country may make it more difficult for the Company and any future joint venture partners to obtain any required financing for exploration and development of mineral projects in Peru.

Foreign Currency Risk

GrowMax Resources operates in different countries and enters into transactions in different currencies. In particular, GrowMax Resources 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. See section 1.14 for additional information.

Market Risk

In the event of a successful discovery and development of mineral reserves, the marketing of GrowMax Resources' prospective production of minerals from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to ports and shipping facilities, at economic tariff rates over which GrowMax Resources may have limited or no control.

Reliance on Strategic Relationships

In conducting its business, GrowMax Resources will rely on continuing existing strategic relationships and forming new ones with other entities in the mining industry, such as joint venture parties/partners, nearby communities, and also certain regulatory and governmental departments. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and GrowMax Resources could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

Competition

A number of other companies operate, and are allowed to bid for exploration and production licences and other services, in the countries in which GrowMax Resources operates, thereby providing competition to GrowMax Resources. Larger, foreign-owned companies, in particular, may have access to greater resources than GrowMax Resources and may be more successful in the recruitment and retention of qualified employees.

Results to Date and Additional Requirement for Capital

GrowMax Resources has a relatively short history and has incurred significant losses to date and, due to the nature of its business, there can be no assurance that GrowMax Resources will be profitable in the future. GrowMax Resources has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. GrowMax Resources may need to raise additional capital in the future to fund the expected capital requirements on the properties and may need to raise additional capital to fully explore and develop its properties beyond the minimum commitments. The future of GrowMax Resources 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 Resources has limited debt capacity and therefore a significant part of it future exploration activities are expected 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 Resources. Failure to obtain additional financing on a timely basis could cause GrowMax Resources to forfeit its interest in some or all of the properties and reduce or terminate its operations. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. See section 1.6 for additional information.

Substantial Capital Requirements

The Company anticipates making substantial capital expenditures for exploration, development and production activities in the future. 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; (iv) royalty rates; (v) inflation risks related to the Peruvian Sol; (vi) tax burden due to current and future tax laws; and (vii) investor appetite for investments in the mining industry in Peru and the Company's securities in particular. 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.

Government and Environmental Regulation

Any exploration, development or other mining operations carried on by GrowMax Resources are subject to government legislation, policies and controls relating to, among other things, prospecting, development, production, environmental protection, community relations, mining taxes and labour standards. As indicated above, the Company requires licenses and permits from a variety of governmental authorities. The Company cannot predict the extent to which future legislation and regulation in Peru or any other country could cause additional expense, capital expenditures, restrictions, and delays in the development of its properties.

As GrowMax Resources is involved in exploration and development, it is subject to extensive environmental and safety legislation and this legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from extraction activities which may be costly to remedy. The extent of potential liability, if any, for the costs of abatement of environmental hazards cannot be accurately determined and, consequently, no assurances can be given that the costs of implementing environmental measures or meeting any liabilities in the future will not be material to GrowMax Resources or will not affect its business or operations.

See also “Economic, Political and Legal Risk”, above.

Commodity Prices

The marketability and price of potash and phosphates is subject to numerous factors beyond GrowMax Resources’ control, including international supply and demand, world economic conditions, global economic developments and political developments. Potash and phosphates prices have been volatile in the past. This volatility is expected to continue. As well, future pricing restrictions or more onerous royalties or duties could be imposed in Peru in the future.

A material decline in the prices of GrowMax Resources’ intended products would have a materially adverse effect on GrowMax Resources’ business, financial condition, and results of operations.

Dependence on Key Personnel

GrowMax Resources 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 Resources’ business. GrowMax Resources 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.

Inability to Obtain Necessary Equipment and Services

Mining exploration and development activities are dependent upon the availability of drilling and related equipment. In the areas in which the Company operates, there can be significant demand for drilling and other related equipment and services. The unavailability and high costs of such services and equipment could result in a delay or restriction in the Company’s projects, and therefore have a material adverse effect on the Company’s operating results, financial condition and prospects.

Reliance on Third Party Contractors and Partners

The Company is dependent on third party contractors in certain aspects of its operations. The Company seeks to build relations with contractors that are reputable, cost-oriented, safety-conscious and dependable and who have demonstrated their ability to perform work diligently, on budget and on time. The Company can give no assurance, however, that contractors will complete their work or activities in accordance with internationally acceptable standards, or at all, and any failure to do so may result in the delay of projects, increased costs, risks of damage to persons or property and other consequences that may adversely affect the Company’s operating results, financial condition and prospects.

The Company’s operations must be carried out in accordance with the terms of its agreements and licences. Failure to comply with such requirements and obligations may expose the Company to fines, the suspension or termination of an agreement or a licence, claims and other losses, which could have a material adverse effect on the Company’s operating results, financial condition and prospects.

Conflicts of Interest

Certain directors and officers are directors and/or officers of other mineral exploration 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.

Inflation Risk

Though Peru has experienced relatively modest rates of inflation in the recent past, there can be no assurance that any governmental action will be taken to control inflationary or deflationary situations or that any such action will be effective. Future governmental action may trigger inflationary or deflationary cycles or otherwise contribute to economic uncertainty. Additionally, changes in inflation or deflation rates and governmental actions taken in response to such changes may affect currency values. Any such events or changes could have a material adverse effect on the Company's results of operations and financial condition.

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.

Uninsured or Uninsurable Risks

In the course of exploration, development and production, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and GrowMax Resources may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the Common Shares.

As of the date of this document, GrowMax Resources 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 Resources 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.

Forward Looking Information may Prove Inaccurate

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. See below for further information on forward looking information.

Internal Controls and Disclosure Controls over Financial Reporting

Since the Company is a Venture Issuer, it is required to file basic certificates, which it has done for the year ended December 31, 2017. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as at December 31, 2017.

Additional Information

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

Non-GAAP Financial Measure

The Company uses and reports a measurement in the evaluation of its operating performance, financial performance, 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 1.2 for further information on the calculation of this measure.

Glossary of Terms

In this Management's Discussion and Analysis, the following terms have the meanings ascribed to them, unless the context otherwise requires:

"APPSA"	means Americas Potash Peru S.A., a body corporate under the laws of Peru and a wholly owned subsidiary of GrowMax Agri Corp.;
"Bayovar Property"	means Bayovar mineral concessions Ramon (Licence Bayovar #5 and #6) and Zapayal (Licence Bayovar #7 and #8) in the Sechura area, Piura province, Peru in which APPSA holds a 100% participating interest;
"Board of Directors" or "Board"	means the duly elected board of directors of the Company;
"Common Shares"	means the common shares in the share capital of the Company;
"Company" or "GrowMax Resources"	means GrowMax Resources Corp. (formerly Americas Petrogas Inc.), a corporation existing under the laws of Alberta and, unless the context otherwise requires, includes the wholly owned or controlled subsidiaries of the Company;
"Community"	means the local community;
"Energicon"	means Energicon S.A., a body corporate under the laws of Argentina and a wholly owned subsidiary of GrowMax Resources up to November 2016;
"EOA"	means Energy Operations Argentina LLC ("EOA"), a private American company;
"Foundation"	means the Communal Foundation of San Martin de Sechura;

"GAC"	means GrowMax Agri Corp., a corporation existing under the laws of Alberta and, unless the context otherwise requires, includes the wholly owned or controlled subsidiaries of the Company;
"IASB"	means the International Accounting Standards Board;
"IFFCO"	means Indian Farmers Fertiliser Co-operative, a co-operative under the laws of India and a shareholder of GrowMax Agri Corp. IFFCO is the parent company of Kisan;
"IFRS"	means International Financial Reporting Standards as issued by the IASB;
"Kisan"	means Kisan International Trading FZE, a body corporate registered under the Jebel Ali Free Zone Authority, United Arab Emirates, and a shareholder of GrowMax Resources and GrowMax Agri Corp.;
"MD&A"	means management's discussion & analysis";
"NI 43-101"	means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*;
"NCIB"	means Normal Course Issuer Bid;
"PEA"	means Preliminary Economic Assessment;
"Petrogas Argentina"	means Americas Petrogas Argentina S.A. a body corporate under the laws of Argentina and a wholly-owned subsidiary of GrowMax Resources up to August 2015;
"Peru"	means the Republic of Peru;
"Peruvian Group"	means the Peruvian party that owned the remaining 30% participating interest in the Bayovar Property prior to January 25, 2016;
"ProInversion"	means the Agency for Promotion of Private Investment of the government of Peru;
"SEDAR"	means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;
"SOP"	means Sulfate of Potash;
"SSP"	means Single Super Phosphate;
"Tecpetrol"	means Tecpetrol International S.A. and/or Tecpetrol Internacional S.L. (Unipersonal);
"Transfer Agreement"	means the transfer agreement executed by the Peruvian state-owned company Activos Mineros S.A.C. and the Executive Director of ProInversion, dated May 16, 2014, granting a 70% (now 100%) interest in the Bayovar Property to APPSA;
"TSX-V"	means the TSX Venture Exchange; and
"VAT"	means Value-added tax.

Advisories

Forward Looking Information

This MD&A and certain documents incorporated by reference into this MD&A contain forward-looking information including, but not limited to, the Company's goals, plans, strategies and objectives; the Company's exploration and development activities; the consolidation of junior fertilizer assets; the ability to target projects with favourable margins and generating cash flow; becoming a leading producer of fertilizer products and a prominent player in the Latin American fertilizer industry achieving the Company's commitments; moving forward on the Bayovar Project; the theoretical viability of producing SOP; the planned SOP pilot project; approval of the application for a semi-detailed Environmental Impact Assessment; construction of the SOP pilot project; engineering designs and tendering of construction contracts for the SOP pilot project; the executed agreement between the Company, the Community and the Foundation; the support of the Community and the Foundation towards the Company carrying out activities to progress projects without delay; the Company's capital program and budget, including the anticipated costs thereof; budget general and administrative costs; results of further investigations and studies of domestic and regional sales of phosphate rock and timing thereof; progressing on the social, environmental and permitting requirements and timing thereof; completing market studies for domestic and regional sales of different potential fertilizers; construction of a fertilizer plant; design and cost optimization of the potash brine and phosphate projects; improved economics for the projects; the design of a small starter mine; improving the quality of the brine resources; producing geotechnical and flood inundation studies; the ability to deliver the projects on time; preservation of cash; improved set of projects' economics; delivery of value moving forward; construction of evaporation ponds and timing thereof; the receipt of the remaining receivable from the sale of Energicon; the completion of detailed engineering designs and a development plan for the SOP project; the construction of solar evaporation ponds and a processing plant for the production of SOP and timing thereof; the conclusion of sales, marketing and transportation agreements for the SOP project; construction of and production from pilot ponds/mines and timing thereof; completion of engineering designs for a small-scale pilot mine and production therefrom; progressing and optimizing the concept of a large-scale mine; completion of a feasibility study and timing thereof; successful submission of permit applications; major milestones required to commence commercial production of carnallite, kainite and/or potash at the Bayovar Property; major milestones required to advance towards the commercial production of phosphates at the Bayovar Property; plans for permitting, engineering and construction and timing thereof; plans for future production and sales and timing thereof; work related to the Company's potash project at Bayovar; the potential for phosphates, potash, and other minerals in respect of the land in the Sechura Desert; future drilling plans; the substitution of the performance bond posted for commitments in Peru once the investment commitment has been performed, the Company's ability to fund all of its commitments/contractual agreements; the availability of project financing or a development partner; and the availability of additional funding.

Forward-looking information is not based on historical facts but rather is based on management's expectations regarding the Company's future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities and expectations with respect to general economic and capital market conditions. Such forward-looking information reflects management's current beliefs and assumptions and is based on information currently available to management. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results contemplated in the forward-looking information, including but not limited to, risks associated with the natural resources industry (e.g. operational risks in development, exploration and production, delays or changes to plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections in relation to production costs and expenses and health, safety and environment risks), the risk of commodity price and foreign exchange rate fluctuations; climate risk; the uncertainty associated with negotiating and dealing with foreign governments and third parties located in foreign jurisdictions; general market risks; title risks; expropriation risks; risks arising from dependence on key personnel; uninsurable risks; risks arising from the inability to obtain necessary equipment and services; risks arising from reliance on third party contractors and partners; third party credit risk; risks arising from managing the growth of the Company; inflation risks; dilution risks; risks associated with obtaining extension requests; risks associated with obtaining and retaining qualified personnel and the risks associated with international activity.

There can be no assurance that the Company will obtain licenses, concessions, extensions or other approvals when needed, or at all, and that further exploration will lead to commercial discoveries or, if there are commercial discoveries, that the Company will be able to secure the necessary regulatory approvals to commercially exploit such resources as intended. Few mineral properties that are explored are ultimately developed into new mineral reserves or resources. Readers are cautioned that the presence of potash and/or phosphates in samples is not necessarily indicative that potash and/or phosphates are capable of being successfully produced in commercial quantities. Cash flow from operations is dependent on future production levels, commodity prices, foreign exchange rates, and government restrictions. Additional risks and uncertainties associated with the Company's future plans are described elsewhere in this MD&A. Although the forward-looking information contained herein is based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with this forward-looking information.

Information regarding the reports, studies, and mineral estimates attributable to the Company's mineral resource properties should be considered forward-looking statements. In particular, the presence of potash and/or phosphates in samples is not necessarily indicative that potash and/or phosphates are capable of being successfully produced in commercial quantities or at all. There is no assurance reserves will be assigned to such potash-bearing and/or phosphate-bearing formations. There is no assurance that future wells will be drilled on the Bayovar Property or that if drilled, will be successful. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The forward-looking statements contained in this MD&A and in the documents incorporated by reference herein are expressly qualified by this cautionary statement. This forward-looking information is made as of the date hereof and the Company assumes no obligation to update or revise this information to reflect new events or circumstances, except as required by law. Because of the risks, uncertainties and assumptions inherent in forward-looking information, prospective investors in the Company's securities should not place undue reliance on this forward-looking information.