



# **CO2 GRO Inc.**

## **Unaudited Interim Consolidated Financial Statements** (expressed in Canadian dollars)

**As at and for the 3 months ended  
March 31, 2023 and 2022**

### **NOTICE TO READER**

**The accompanying unaudited interim consolidated financial statements of CO2 GRO Inc. (the "Company") have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three months ended March 31, 2023 and 2022 have not been reviewed by the Company's auditors.**



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of CO2 GRO Inc. are the responsibility of the management and the Board of Directors (the “**Board**”) of the Company and have been prepared in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

## MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) (“**NI 52-109**”), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures (“**DC&P**”) and/or ICFR, as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

“John Archibald”

John Archibald  
President and Chief Executive Officer

May 30, 2023

“Stephen M. Gledhill”

Stephen M. Gledhill  
Chief Financial Officer

May 30, 2023

CO2 GRO Inc.

Unaudited Interim Consolidated Statements of Financial Position

(expressed in Canadian dollars)

<i>As at</i>	March 31, 2022	December 31, 2022
<b>Assets</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash	884,511	1,096,631
Sales taxes recoverable	17,882	34,485
Accounts receivable (note 6)	115,690	97,907
Prepaid expenses (note 7)	37,281	26,301
<b>Total current assets</b>	<b>1,055,364</b>	<b>1,255,324</b>
<b>Non-current assets</b>		
Non-current account receivable (note 6)	63,624	71,454
Intangibles, net (notes 8)	101,477	96,933
<b>Total assets</b>	<b>1,220,465</b>	<b>1,423,711</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities (note 9)	218,859	207,460
Due to related parties (note 13)	213,764	194,799
<b>Total current liabilities</b>	<b>432,623</b>	<b>402,259</b>
Other liabilities (note 10)	100,174	100,174
<b>Total liabilities</b>	<b>532,797</b>	<b>502,433</b>
<b>Shareholders' equity</b>		
Common shares (note 12.2)	19,937,736	19,937,736
Contributed surplus (note 12.4)	4,550,102	4,489,105
Accumulated deficit	(23,800,170)	(23,505,563)
<b>Total shareholders' equity</b>	<b>687,668</b>	<b>921,278</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,220,465</b>	<b>1,423,711</b>

Going concern (note 1)

Significant contracts, commitments and litigation (note 17)

Approved for issuance by the Board on May 30, 2023

\_\_\_\_\_  
"Rose Marie Gage", Director

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"Michael Boyd", Director

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

**CO2 GRO Inc.**

**Unaudited Interim Consolidated Statements of Operations and Comprehensive Loss**

*(expressed in Canadian dollars-except weighted average number of common shares outstanding)*

	3 months ended	
	March 31, 2023	March 31, 2022
	\$	\$
<b>Revenue (note 14)</b>	<b>15,488</b>	31,500
Cost of sales (note 15)	<b>(25,170)</b>	(78,268)
<b>Gross margin</b>	<b>(9,682)</b>	(46,768)
<b>Expenses</b>		
Administration	<b>51,577</b>	39,477
Amortization & depreciation	<b>3,302</b>	5,143
Compensation	<b>83,592</b>	116,139
Consulting fees	<b>22,500</b>	22,500
Foreign exchange losses	<b>(2,898)</b>	2,398
Investor relations and public reporting costs	<b>39,624</b>	36,895
Professional fees	<b>14,686</b>	14,141
Research and development (note 16)	<b>15,000</b>	10,000
Share-based compensation (note 12.4)	<b>60,997</b>	101,503
<b>Total expenses</b>	<b>288,360</b>	348,196
<b>Operating loss</b>	<b>(298,042)</b>	(394,964)
Change in expected credit losses (note 6)	<b>470</b>	(2,758)
Interest income accretion	<b>3,238</b>	4,583
Interest expense	<b>(273)</b>	(243)
<b>Loss and comprehensive loss for the period</b>	<b>(294,607)</b>	(393,382)
<b>Basic and fully-diluted loss and comprehensive loss per share</b>	<b>(0.00)</b>	(0.00)
<b>Weighted average number of common shares outstanding</b>	<b>97,326,698</b>	92,057,772

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

**CO2 GRO Inc.**

**Unaudited Interim Consolidated Statements of Changes in Equity**

*(expressed in Canadian dollars)*

	Capital stock		Reserve for Warrants	Contributed surplus	Accumulated deficit	Total
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Balance at December 31, 2021	84,815,718	17,448,626	495,611	4,232,019	(21,740,511)	435,745
Exercise of warrants	11,488,695	1,723,304	-	-	-	1,723,304
Fair value of exercised warrants	-	491,105	(491,105)	-	-	-
Expiry of warrants	-	-	(426)	426	-	-
Exercise of options	1,022,285	161,865	-	-	-	161,865
Fair value of exercised options	-	55,320	-	(55,320)	-	-
Share-based compensation for the period	-	-	-	101,503	-	101,503
Loss and comprehensive loss for the period	-	-	-	-	(393,382)	(393,382)
Balance at March 31, 2022	97,326,698	19,880,220	4,080	4,278,628	(22,133,892)	2,029,036
Expiry of warrants	-	-	(4,080)	-	-	(4,080)
Fair value of exercised options	-	57,516	-	(57,516)	-	-
Share-based compensation	-	-	-	263,913	-	263,913
Loss and comprehensive loss for the period	-	-	-	-	(1,371,671)	(1,372,671)
Balance at December 31, 2022	97,326,698	19,937,736	-	4,489,105	(23,505,563)	921,278
<b>Share-based compensation for the period</b>	-	-	-	<b>60,997</b>	-	<b>60,997</b>
<b>Loss and comprehensive loss for the period</b>	-	-	-	-	<b>(294,607)</b>	<b>(294,607)</b>
<b>Balance at March 31, 2023</b>	<b>97,326,698</b>	<b>19,937,736</b>	<b>-</b>	<b>4,550,102</b>	<b>(23,800,170)</b>	<b>687,668</b>

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

CO2 GRO Inc.

Unaudited Interim Consolidated Statements of Cash Flow

(expressed in Canadian dollars)

	3 months ended	
	March 31, 2023	March 31, 2022
	\$	\$
<b>Operating activities</b>		
Net loss	(294,607)	(393,382)
Non-cash items:		
Amortization and depreciation	3,302	5,143
Change in expected credit losses (note 6)	(470)	2,758
Interest (income) accretion	(3,238)	-
Share-based compensation	60,997	101,503
Net change in non-cash working capital items (note 19.1)	2,947	673
<b>Cash used for operating activities</b>	<b>(231,069)</b>	<b>(283,304)</b>
<b>Financing activities</b>		
Advanced from (repaid to) related parties	18,695	(65,664)
Changes to non-current accounts receivable (note 6)	7,830	(9,147)
Exercise of warrants	-	1,723,304
Exercise of options	-	161,865
Proceeds from government grant (note 11)	-	18,750
<b>Cash provided from financing activities</b>	<b>26,795</b>	<b>1,829,108</b>
<b>Investing activities</b>		
Purchase of intangibles	(7,846)	(23,750)
<b>Cash used for investing activities</b>	<b>(7,846)</b>	<b>(23,750)</b>
<b>(Decrease) increase in cash for the period</b>	<b>(212,120)</b>	<b>1,522,054</b>
Cash at the beginning of the year	1,096,631	543,213
<b>Cash at end of the period</b>	<b>884,511</b>	<b>2,065,267</b>

Supplemental cash flow information (note 19.2)

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

# CO2 GRO Inc.

## Notes to Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

As at and for the 3 Months Ended March 31, 2023 and 2022

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### 1. General information and going concern

CO2 GRO Inc. (“**CO2 GRO**” or the “**Company**”) was incorporated under the provisions of the Business Corporations Act (Ontario) on September 17, 2010, and trades on the TSX Venture Exchange (“**TSXV**”) under its trading symbol, “**GROW**”, on the OTCQB market under its trading symbol “**BLONF**” and on the Frankfurt stock exchange under its symbol “**4021**”.

**Dissolved CO<sub>2</sub> plant-enrichment platform:** CO2 GRO’s sole focus is commercializing its patent-licensed CO2 gas infusion technology and its patent-pending US PTO CO2 Delivery Solutions system (“**CO2 Delivery Solutions™**”), both of which form the Company’s saturated CO2 solutions plant platform.

The registered and head office of the Company is located at 40 King Street West, Suite 5800, Toronto, Ontario, M5H 3S1, Canada.

These unaudited interim consolidated financial statements (the “**Interim Consolidated Financial Statements**”) have been prepared using International Financial Reporting Standards (“**IFRS**”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Company is in the development stage and has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. CO2 GRO’s ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurance that it will be successful in doing so. The Interim Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

### 2. Basis of preparation

#### 2.1 Statement of compliance

The Interim Consolidated Financial Statements, including comparatives, have been prepared in accordance with *International Accounting Standards (“IAS”) 34* ‘Interim Financial Reporting’ using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

The Interim Consolidated Financial Statements were approved and authorized for issuance by the Board on May 30, 2023.

#### 2.2 Basis of presentation

The Interim Consolidated Financial Statements have been prepared on a historical cost basis with the exception of financial instruments which are measured at fair value. In addition, the Interim Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars, the Company’s functional currency.

## CO2 GRO Inc.

### Notes to Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

As at and for the 3 Months Ended March 31, 2023 and 2022

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The preparation of the Interim Consolidated Financial Statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

#### 2.3 Basis consolidation

The Consolidated Financial Statements consolidate the accounts of the Company and all its subsidiaries. The Company has the following, wholly-owned subsidiaries: Pure Polar Canada Inc. (inactive), CO2 GRO (US) Inc. ("**CO2 US**"), BlueOcean Shrimp Products Inc. (inactive), Asta NutraSciences Inc. (inactive), BlueOcean Algae Inc. (inactive), Solutions4CO<sub>2</sub> USA, Inc. (inactive), 70717 Newfoundland and Labrador Limited (inactive), Pure Polar Labs Inc. (inactive). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

The Company also owns a 50% equity interest in 2453969 Ontario Inc., an inactive joint arrangement. The Company accounts for this arrangement using the equity method in accordance with IFRS 11 '*Joint Arrangements*'.

#### 3. Adoption of new and revised standards and recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements ("**IFRS 10**") and IAS 28 – Investments in Associates and Joint Ventures ("**IAS 28**") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of the amendments to IFRS 10, is yet to be determined, however early adoption is permitted.

IFRS 16 – Leases ("**IFRS 16**"). IFRS 16 has been amended to determine if a transfer of the underlying leased asset should be accounted for as a sale. Pursuant to the amendment, the seller/lessee is required to determine the lease payments or revised lease payments such that the seller/lessee would not recognise any amount of the gain or loss that relates to the right-of-use retained by the seller/lessee. A seller/lessee shall apply these amendments for annual reporting periods beginning on or after January 1, 2024, with earlier adoption permitted.

IAS 1 – Presentation of Financial Statements. In January 2020, the classification of liabilities as current or non-current was amended. An entity shall apply the amendments for annual reporting periods on or after January 1, 2024, retrospectively in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors.

## CO2 GRO Inc.

### Notes to Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

As at and for the 3 Months Ended March 31, 2023 and 2022

#### 4. Liquidity and capital resources

The Company's main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development, production, promotion and sales. Secondly, the Company strives to continue to fund research and development and pursue its growth strategy, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is considered to be its shareholders' equity. The Company's primary uses of capital are financing operations, increasing non-cash working capital and capital expenditures. The Company currently funds these requirements from existing cash resources and/or cash raised through the issuance of debt, common shares and/or warrants. The Company's objectives when managing capital is to ensure the Company will continue to have enough liquidity so that it can provide its products and services to its customers and returns to its shareholders. The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize the capacity to finance the Company's ongoing growth, the Company does not currently pay a dividend to holders of its common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2023 or the year ended December 31, 2022. The Company is not subject to any capital requirements by lending institution or regulatory body, other than by the continued listing requirements of the TSXV.

#### 5. Financial instruments and risk management

##### 5.1 Financial instruments

The Company's financial instruments are detailed as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Financial assets		
Cash	884,511	1,096,631
Accounts receivable	115,690	97,907
Non-current accounts receivable	63,624	71,454
	<b>1,063,825</b>	<b>1,265,992</b>
Financial liabilities		
Accounts payable and accrued liabilities	218,859	207,460
Due to related parties	213,764	194,799
Other liabilities	100,174	100,174
	<b>532,798</b>	<b>502,433</b>

The carrying and fair values of current financial instruments are approximately equivalent because of the short-term nature of these instruments. The carrying and fair value of the non-current receivable is

**Notes to Unaudited Interim Consolidated Financial Statements**  
*(expressed in Canadian dollars)*

**As at and for the 3 Months Ended March 31, 2023 and 2022**

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approximately equivalent as management believes they are discounted at a fair value market rate of interest that is not significantly different from the estimated market rate at March 31, 2023. The other liabilities are carried at their face value.

**Basis of fair values**

Assets and liabilities recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company has no financial instruments carried at fair value to measure in the fair value hierarchy.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no significant transfers between levels during the year.

**5.2 Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at March 31, 2023, the Company had \$432,623 (December 31, 2022 - \$402,259) of liabilities with a maturity of one year or less and working capital of \$622,741 (December 31, 2022 – \$853,065). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis.

**5.3 Credit risk**

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. The Company considers whether evidence of impairment exists on an individual and collective basis for trade receivables. All trade receivables that are individually material are individually assessed for impairment. All trade receivables that are individually material and not individually impaired are collectively assessed to detect any impairment that may exist but has not yet been identified. Trade receivables that are not individually material are collectively assessed for impairment by aggregating trade receivables. In performing the collective impairment assessment, the Company uses historical patterns for the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Credit risk is derived from cash and accounts receivable. The Company places its cash in deposit with a major Canadian financial institution. The Company has established a policy to mitigate the risk of loss related to granting customer credit.

## CO2 GRO Inc.

### Notes to Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

#### As at and for the 3 Months Ended March 31, 2023 and 2022

The carrying amount of cash and accounts receivable represents the Company's maximum exposure to credit risk, which amounted to \$1,036,599 at March 31, 2023 (December 31, 2022 - \$1,265,992). The allowance for doubtful accounts as at December 31, 2022, is \$58,076 (December 31, 2021 - \$19,107).

As at March 31, 2023 and December 31, 2022, the Company's accounts receivable, net of the allowance for doubtful accounts, was aged as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Current	-	-
1 – 30 days	-	-
31 – 60 days	7,714	90,754
61 – 90 days	-	-
Over 90 days	107,976	7,153
	<b>115,690</b>	97,907
Receivable with terms in excess of one year	63,624	71,454
	<b>179,314</b>	169,361

#### 5.4 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk). The Company is not subject to significant market risk.

#### 5.5 Currency risk

The Company's functional currency and the majority of its operations have been conducted in Canadian dollars. CO2 GRO occasionally conducts business in United States ("US") dollars. Financial assets and liabilities denominated in foreign currencies will be affected by changes in the exchange rate between the functional currency and these foreign currencies. The assets and liabilities primarily affected are cash, accounts receivable, and trade payables and accrued liabilities that are denominated in foreign currencies. The Company has recognized currency exchange losses (gains) during the 3 months ended March 31, 2023, of \$(2,898) (2022 – \$2,398).

Management believes foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution.

As at March 31, 2023 and December 31, 2022, the Company's exposure to foreign currency balances is as follows:

**CO2 GRO Inc.**

**Notes to Unaudited Interim Consolidated Financial Statements**

*(expressed in Canadian dollars)*

**As at and for the 3 Months Ended March 31, 2023 and 2022**

<b>Account</b>	<b>Foreign currency</b>	<b>Exposure (\$Cdn)</b>	
		<b>March 31, 2022</b>	<b>December 31, 2022</b>
Cash	US dollar	<b>12,914</b>	53,986
Accounts receivable, net	US dollar	<b>200,927</b>	180,700
Accounts payable and accrued liabilities	US dollar	<b>(120,058)</b>	(182,894)
		<b>93,783</b>	51,792

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net income for the period by approximately \$9,400 (2022 – \$5,200).

**6. Accounts receivable**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable - current	<b>152,088</b>	143,375
Allowance for expected credit losses	<b>(36,398)</b>	(45,467)
Current receivables	<b>115,690</b>	97,907
Accounts receivable – non-current	<b>84,832</b>	84,063
Allowance for expected credit losses	<b>(21,208)</b>	(12,609)
Non-current receivables	<b>63,624</b>	71,454
	<b>179,314</b>	169,361

Generally, the receivables are on terms due within 30 days.

The Company has recognized changes in expected credit losses for the three months ended March 31, 2023, of \$470 (2022 – \$(2,758)).

As at March 31, 2023, there is one customer (2022 – one customer) that individually comprises greater than 10% of the outstanding gross accounts receivable current balance and one (2022 - one) customer that individually comprises greater than 10% of the outstanding gross accounts receivable of the non-current balance.

Further, a 10% increase/decrease in the collection rate will impact the Company's loss by \$24,000.

**7. Prepaid expenses**

Prepaid expenses represent costs expended by the Company for which it has not yet received value. The full amount of the prepaid balance at March 31, 2022, is expected to be utilized during the upcoming year, with any portion consumed being expensed through the consolidated statements of loss and

CO2 GRO Inc.

Notes to Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

As at and for the 3 Months Ended March 31, 2023 and 2022

comprehensive loss, and any unconsumed portion reallocated to the appropriate consolidated statements of financial position classification.

	March 31, 2023	December 31, 2022
	\$	\$
Consulting	13,500	19,209
Cost of sales	950	950
Insurance	22,831	5,874
Legal	-	268
<b>Total</b>	<b>37,281</b>	<b>26,301</b>

**8. Intangibles, net**

Cost	Patents
	\$
December 31, 2021	188,691
Additions	58,228
Government grant (note 11)	(21,500)
Write-off of abandoned patents	(113,755)
December 31, 2022	111,664
<b>Additions</b>	<b>7,846</b>
<b>March 31, 2023</b>	<b>119,510</b>

**Accumulated amortization**

	\$
December 31, 2021	23,754
Amortization	24,105
Government grant (note 11)	(2,750)
Write-off of abandoned projects	(30,378)
December 31, 2022	14,731
<b>Amortization</b>	<b>3,302</b>
<b>March 31, 2023</b>	<b>18,033</b>

**Net Book Value**

December 31, 2022	96,933
<b>March 31, 2023</b>	<b>101,477</b>

## CO2 GRO Inc.

### Notes to Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

As at and for the 3 Months Ended March 31, 2023 and 2022

#### 9. Trade payables and accrued liabilities

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases and financing activities. The usual credit period taken for trade purchases is between 30 and 90 days.

The following is an analysis of the Company's trade payables and its accrued liabilities:

	March 31, 2023	December 31, 2022
	\$	\$
Administration	76,418	84,176
Compensation	-	94,808
Consulting	5,623	6,095
Cost of sales	10,672	13,142
Investor relations and public reporting costs	2,092	288
Professional fees	16,950	5,373
Research and development	3,580	3,578
<b>Total trade payables and accrued liabilities</b>	<b>218,859</b>	<b>207,460</b>

#### 10. Other liabilities

During the year ended December 31, 2022, the Company transferred \$100,174 of accounts payable to non-current liabilities on the basis that any claims in respect of these liabilities are potentially statute-barred under the Limitations Act (Ontario). Pursuant to IFRS, a debt can only be removed from the Company's Statement of Financial Position when it is extinguished, meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that these liabilities cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The other liabilities are required to be reflected on the Company's Statement of Financial Position, but they are classified as long-term liabilities since the Company has no intention or obligation to pay these liabilities and the creditors cannot enforce payment of them. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any obligations in regard to these liabilities.

#### 11. Government grant (2022)

In March 2022, the Company received a Government of Canada grant through the National Research Council of Canada's Industrial Research Assistance Program, in the amount of \$18,750. The grant was provided as reimbursement of the costs expended (to a maximum of \$18,750) to further development of new export opportunities and markets, especially in high-growth emerging markets. The grant has been recorded as an offset patent acquisition costs.

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12. Common shares

12.1 Authorized

CO2 GRO's authorized share capital consists of an unlimited number of common shares.

12.2 Issued and outstanding

2023:

(i) During the three months ended March 31, 2023, zero common shares have been issued.

2022:

(ii) In January and February 2022, 11,488,695 warrants and 1,022,285 options were exercised raising proceeds of \$1,885,169. The fair value of exercised warrants (\$491,105) and options (\$112,836), was transferred from reserve for warrants and contributed surplus, respectively, to common shares.

Warrants

As at March 31, 2023, there are no warrants outstanding.

A continuity of the unexercised warrants to purchase common shares is detailed in the following table:

	March 31, 2023		December 31, 2022	
	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants
	\$		\$	
Outstanding at beginning of year	-	-	0.15	11,611,195
Transactions during the period/year:				
Exercised	-	-	0.15	(11,488,695)
Expired	-	-	0.15	(122,500)
<b>Outstanding at end of period/year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

12.3 Contributed surplus

On August 9, 2022, at its annual shareholder meeting, the shareholders of the Company approved a new omnibus incentive plan (the "Incentive Plan"). The Incentive Plan includes a rolling component, similar to the Company's old 10% rolling plan (the "Plan"), whereby the maximum aggregate number of common shares that may be allocated and made available to be granted to participants under the Incentive Plan with respect to options, is 10% of the issued and outstanding common shares of the Company, less the number of options currently issued.

## CO2 GRO Inc.

### Notes to Unaudited Interim Consolidated Financial Statements

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In addition, the Company's shareholders approved a fixed component, whereby the maximum number of common shares that may be allocated and made available to be granted to participants under the Incentive Plan with regard to Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs"), Performance Share Units ("PSUs") and Share Appreciation Rights ("SARs") (altogether, the "Compensation Units") is limited to 9,732,669, less the total number of Compensation Units that are currently issued.

As at March 31, 2023, 4,816,064 options (December 31, 2022 – 3,396,064) and 5,807,669 Compensation Units (December 31, 2022 – 9,732,669) are available for issuance under the Incentive Plan.

The principal features of the Plan are as follows:

- the maximum aggregate number of common shares that may be allocated and made available to be granted to participants under the Incentive Plan is as follows: With regard to options, 10% of the issued and outstanding common shares of the Company, less the number of options currently issued. With regard to Compensation Units, 9,732,669 less the number of Compensation Units already issued, in aggregate;
- the maximum number of common shares issuable to any one participant in any 12-month period shall not exceed 5% of the outstanding shares, without disinterested shareholder approval;
- the aggregate number of common shares that may be reserved for issuance pursuant to options or Compensation Units granted to Insiders (as defined as (a) a director or senior officer of the Company; (b) a director or senior officer of a "company" (as defined in the TSXV policies) that is an Insider or subsidiary of the Company; (c) a "person" (as defined in TSXV policies) that beneficially owns or controls, directly or indirectly, "voting shares" (as defined in TSXV policies) carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company; or (d) the Company itself if it holds any of its own securities) shall not exceed 10% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders;
- the aggregate number of options or Compensation Units that may be granted to all Insiders within a 12-month period shall not exceed 10% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders;
- the aggregate number of options that may be granted to any one individual within a 12-month period shall not exceed 5% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders;
- the aggregate number of options that may be granted to any one "consultant" (as defined in the TSXV policies) within a 12-month period shall not exceed 2% of the issued and outstanding common shares (on a non-diluted basis); and
- the aggregate number of options that may be granted to all employees conducting "investor relation activities" (as defined in the TSXV policies) within a 12-month period shall not exceed 2% of the issued and outstanding common shares (on a non-diluted basis).

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Continuity of the Company's outstanding and exercisable options follows:

	March 31, 2023		December 31, 2022	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
	\$		\$	
Outstanding at beginning of year	0.22	6,336,606	0.21	5,977,891
Transactions during the period:				
Granted	0.11	200,000	0.21	2,025,000
Exercised	-	-	0.16	(1,022,285)
Expired	0.40	(1,620,000)	0.22	(644,000)
<b>Outstanding at end of period</b>	<b>0.22</b>	<b>4,916,606</b>	<b>0.22</b>	<b>6,336,606</b>
<b>Exercisable at end of period</b>	<b>0.23</b>	<b>4,627,000</b>	<b>0.22</b>	<b>6,336,606</b>

The following table provides additional information about outstanding stock options at March 31, 2023:

Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.10 to \$0.15	1,547,000	0.9	0.15
\$0.16 to \$0.20	389,606	1.7	0.19
\$0.21 to \$0.30	1,600,000	3.9	0.22
\$0.31 to \$0.40	1,380,000	1.1	0.32
<b>Outstanding</b>	<b>4,916,606</b>	<b>2.0</b>	<b>0.22</b>
<b>Exercisable</b>	<b>4,627,000</b>	<b>2.0</b>	<b>0.23</b>

The Black-Scholes option pricing model was used to estimate the fair value of the issued options.

- The weighted average assumptions used for the options issued in 2023, were as follows: risk-free interest rate of 3.99%; expected volatility of 104.19%; expected life of 2.0 years; expected dividends of \$nil and common share price of \$0.105. The grant-date fair value of the options issued in 2023 is \$11,400.
- The weighted average assumptions used for the options issued in 2022, were as follows: risk-free interest rate of 1.83%; expected volatility of 127.1%; expected life of 5.0 years; expected dividends of \$nil and common share price of \$0.21. The grant-date fair value of the options issued in 2022 is \$361,875.

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Continuity of the Company's outstanding Compensation Units follows:

	Type of Compensation Unit	March 31, 2023		December 31, 2022	
		Weighted Average Purchase Price*	Number of Compensation Units	Weighted Average Exercise Price	Number of Options
		\$		\$	
Outstanding at beginning of year		-	-	-	-
Transactions during the period:					
Granted	DSU	0.11	3,925,000	-	-
<b>Outstanding at end of period</b>		<b>0.11</b>	<b>3,925,000</b>	-	-

\*In accordance with the Incentive Plan, DSUs may be issued with a purchase price to be paid by the recipient upon vesting.

The following table provides additional information about outstanding stock options at March 31, 2023:

Purchase Price	No. of Compensation Units Outstanding	Weighted Average Remaining Time to Vesting (years)
\$0.11	3,925,000	0.75
<b>Outstanding</b>	<b>3,925,000</b>	<b>0.75</b>

As the issued DSU's are subject to a purchase price upon vesting, the Black-Scholes option pricing model was used to estimate the fair value of the issued DSUs.

- The weighted average assumptions used for the Compensation Units issued in 2023, were as follows: risk-free interest rate of 3.99%; expected volatility of 114.43%; expected life of 1.0 year; expected dividends of \$nil and common share price of \$0.105.

#### **12.4 Share-based compensation**

The fair value of the stock options vested for the period ended March 31, 2023 was \$60,997 (2022 – \$101,503), which amount has been expensed in the consolidated statements of operations and comprehensive loss and off-set to contributed surplus.

#### **13. Related-party transactions and key management compensation**

The Interim Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them.

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Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the Directors, Chief Executive Officer, Chief Financial Officer and Vice President of Sales and Strategic Partnerships.

Related-party compensation paid or payable to key management is detailed below:

<b>3 months ended</b>	<b>March 31, 2023</b>	March 31, 2022
	\$	\$
Compensation to key management	<b>27,000</b>	27,000
Consulting fees to key management	<b>22,500</b>	22,500
Share-based payments	<b>41,833</b>	80,402
	<b>91,333</b>	129,902

As at March 31, 2023, \$213,764 (December 31, 2022 - \$194,799) is owed to officers or directors of the Company or entities controlled by them.

**14. Revenue**

The Company recognizes revenue at the point in time when control is transferred to the customer, which varies by contract but is usually on shipment or upon completion of installation. The Company's payment terms range from thirty days to ten years from the transfer of control.

During the three months ended March 31, 2023, the Company had revenues of \$15,488 (2022 - \$31,500). The Company derives all of its revenues from its sole operating segment, saturated CO<sub>2</sub> plant-based production.

For the three months ended March 31, 2023, one customer (2022 – one customer) comprises 48% (2022 – 91%) of the Company's revenues.

For the three months ended March 31, 2023, the Company recognized \$3,238 (2022 - \$4,583) of interest income accretion. The amount accreted is the current portion of previously-discounted revenues for long-term sales.

**15. Cost of sales**

<b>3 months ended</b>	<b>March 31, 2023</b>	March 31, 2022
	\$	\$
Commissions and fees	<b>1,360</b>	16,904
Freight, shipping and purchase discounts	<b>551</b>	7,099

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**As at and for the 3 Months Ended March 31, 2023 and 2022**

<b>3 months ended</b>	<b>March 31, 2023</b>	March 31, 2022
	\$	\$
Consumable parts and tools	<b>23,259</b>	54,265
	<b>25,170</b>	78,268

**16. Research and development costs**

The research and development costs for the Company are detailed as follows:

<b>3 months ended</b>	<b>March 31, 2023</b>	March 31, 2022
	\$	\$
Technical consumables	<b>15,000</b>	10,000
<b>Research and development costs</b>	<b>15,000</b>	10,000

**17. Significant contracts, commitments and contingencies**

**17.1 Legal proceedings**

The Company is, from time to time, involved in various claims and legal proceedings. In October 2019, the Company was served with a statement of claim (the “**Action**”) filed in the Ontario Superior Court of Justice against the Company and two Officers. During 2022, the Company received a Notice of Discontinuance from the claimant regarding the Action. The Company has continued with its counter-action but is working with the claimant on a full without costs settlement basis (the “**Settlement**”).

The Company cannot reasonably predict the likelihood or outcome of the Settlement. The Company does not believe that adverse decisions regarding the Settlement or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

**17.2 Novel Coronavirus (“COFID-19”)**

The Company’s operations could be significantly adversely affected by the continued outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the future impact that COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets

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of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

**17.3 Commitments**

The Company is party to certain management and consulting agreements with minimum commitments of \$163,500 for the remainder of 2023.

**18. Segmented information**

**Operating segments**

CO2 GRO's sole focus is commercializing its patent-licensed CO2 gas infusion technology license and its patent-pending Delivery Solutions™, both of which form the Company's Dissolved CO2 plant-production platform. As such, the Company's operating segment information is the same as that reported in the Consolidated Financial Statements.

**Geographic segments**

CO2 operates in two geographic segments being Canada and the United States.

<b>As at</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	\$	\$
<b>Identifiable assets:</b>		
Canada	956,853	1,323,146
United States	263,612	100,565
	<b>1,220,465</b>	<b>1,423,711</b>

  

<b>3 months ended</b>	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	\$	\$
<b>Revenue:</b>		
Canada	-	31,500
United States	7,393	-
South America	7,425	-
Korea	670	-
	<b>15,488</b>	<b>31,500</b>

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3 months ended	March 31, 2023	March 31, 2022
	\$	\$
Loss and comprehensive loss		
Canada	(284,925)	(393,382)
South America	(4,641)	-
Korea	(419)	-
United States	(4,622)	-
	(294,607)	(393,382)

3 months ended	March 31, 2023	March 31, 2022
	\$	\$
<b>Cash used for operations:</b>		
Canada	(161,098)	(344,802)
South America	(4,641)	-
Korea	(419)	-
United States	(64,913)	61,498
	(231,069)	(283,304)

**19. Additional cash flow information**

**19.1 Net change in non-cash working capital items**

Three months ended	March 31, 2023	March 31, 2022
	\$	\$
Accounts receivable	(17,313)	(10,754)
Sales taxes recoverable	(10,980)	18,674
Prepaid expenses	16,603	19,574
Accounts payable	11,399	(48,787)
Deferred revenue	3,238	21,966
	2,947	673

**CO2 GRO Inc.**

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**As at and for the 3 Months Ended March 31, 2023 and 2022**

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**19.2 Supplemental cash flow information**

<b>Three months ended</b>	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash interest paid</b>	<b>273</b>	<b>243</b>

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