



CO2 GRO Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended June 30, 2023

August 29, 2023

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended June 30, 2022

This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to CO2 GRO Inc. (“CO2 GRO” or the “Company”) as at August 29, 2023. This Interim MD&A is based on information available to CO2 GRO and updates disclosure previously provided in the Company’s Annual and interim MD&A’s, up to the date of this Interim MD&A and should be read in conjunction with the Company’s unaudited interim consolidated financial statements and the related notes as at and for the three and six months ended June 30, 2023 and 2022 (the “Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2022 and 2021 (the “Consolidated Financial Statements”). Both the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com or on the Company’s website at www.co2gro.ca.

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 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This document may contain “forward-looking statements” which may include, but are not limited to, statements with respect to the future financial or operating performance of CO2 GRO or future events related to CO2 GRO which reflect expectations regarding growth, results of operations, performance, business prospects or opportunities or industry performance or trends for the economic environment in which CO2 GRO operates. These forward-looking statements are not guarantees of future performance and actual results and outcomes may differ materially. Accordingly, readers should not place undue reliance on forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; changes in project parameters as plans continue to be refined; changes in labour costs and other costs of materials, equipment or processes to operate as anticipated; accidents, labour disputes and other risks and delays in obtaining governmental approvals or financing or in the completion of research and development activities.

The forward-looking statements reflect CO2 GRO’s current internal projections, expectations or beliefs and are based on information currently available to CO2 GRO. Often, but not always, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “intend”, “plan”, “anticipate”, “believe”, “predict”, “potential”, “continue”, “budget”, “schedule”, “estimate”, “forecast” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Although CO2 GRO has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Interim MD&A and, unless otherwise required by applicable securities laws, CO2 GRO disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise.

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended June 30, 2022

General

CO2 GRO 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 US OTCQB market under the symbol “BLONF” and on the Frankfurt Stock Exchange under the symbol “4O21”.

Dissolved CO₂ 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 sole dissolved CO₂ for third-party protected grower plant-enrichment platform.

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

The Interim Consolidated Financial Statements have been prepared in accordance with *International Accounting Standards 34* ‘Interim Financial Reporting’ using accounting policies consistent with the IFRS issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. The Interim Consolidated Financial Statements contemplate 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 may include 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.

The Interim 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., BlueOcean Shrimp Products Inc. (inactive), Asta NutraSciences Inc. (inactive), BlueOcean Algae Inc. (inactive), Solutions4CO₂ 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’.

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended June 30, 2022

The Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on August 29, 2023.

Any reference in this Interim MD&A to “**note**” or “**notes**” is to the corresponding note(s) in the Interim Consolidated Financial Statements or the Consolidated Financial Statements, as applicable.

Corporate

Financial condition

As at June 30, 2023, the Company had assets totaling \$774,271 and shareholders' equity of \$344,033. This compares with assets of \$1,4323,711 and shareholders' equity of \$921,278, at December 31, 2022.

During the quarter ended June 30, 2023, the Company's net assets decreased by \$343,645, comprising a decrease in assets of \$446,194 offset by a decrease in liabilities of \$102,559.

Changes to the Company's net assets are detailed as follows:

Item	Change	Explanation of change
	\$	
Cash	(450,888)	Cash used for operating activities of \$426,781 less cash used for investing activities of \$8,220 less cash used for financing activities of \$15,887.
Receivables (current and non-current) and sales taxes recoverable	2,381	Receivables decreased by \$470 and HST increased by \$2,851.
Prepaid expenses	(2,365)	The decrease reflects the normal expensing of the applicable underlying assets.
Intangible assets - Patents	4,678	Change represents purchases of \$8,221 less amortization of \$3,543.
Total assets	(446,194)	
Accounts payable and accrued liabilities	88,163	Decrease in payables due to normal operational variation in timing of payments.
Due to related parties	14,396	Decrease is the result of the payment of prior accrued expenses being paid.
Total liabilities	12,559	
Total change	(343,635)	

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended June 30, 2022**

Operational updates

The Company announced a multi-year pay-for-use model for \$800,000, in addition to the previously-announced sales contracts of approximately \$200,000, with Hiodroexp.

These two large contracts are multi-year Pay for Use (“**PFU**”) that have evergreen clauses after their initial term expires. Protected growers’ operating costs remain squeezed from last year’s sharp increase in input costs, energy, fertilizer, labor as well as sharply higher cost of capital and sourcing of it. This is why CO2 GRO introduced long term PFU contract payment options in early Q2 2023, that led to these two large long-term contracts.

During Q2 2023, CO2 GRO’s potential sale pipeline grew to just under 50 growers who have about 230 million square feet of cultivation area. This potential sales capacity is up about 15% from Q1 2023 with new opportunities mainly in Mexico and Central America. This cumulative capacity represents growers who are currently utilizing our technology adaptation project (“**TAP**”) and those who have expressed an interest to proceed with a TAP.

Our ongoing TAP projects continue around the world in key markets such as Canada, the US, Mexico, Colombia, Ecuador, Middle East & North Africa, the UK, Japan and South Africa.

Global Protected Agriculture (“Ag”) Market

CO2 GRO is witnessing some growth again in the 700 billion square foot global protected ag market (Cuesta Roble’s 2019 estimate was 600 billion square feet) as previously financed higher tech leafy green and microgreen focused greenhouses come on-line, mainly in the US. In Ontario, Canada, the Ontario Vegetable Growers Association forecast a return to 5% annual greenhouse capacity growth provided that appropriate government support mechanisms are in place. Overseas, several Moroccan growers are assessing major expansions due to successful EU and UK produce market penetration. Morocco tomato exports have now surpassed Spain’s to the EU for the first time.

Operational Focus

In Q2 2023, exhibiting at the Greentech Americas Conference in Mexico resulted in several new leads that are now in our sales pipeline update. Our closest and best short-term revenue opportunities remain in North and Central America, in tomatoes, peppers, cucumbers and leafy greens.

Canada

The Company’s TAPs with Ontario greenhouse growers will continue through 2023. CO2 GRO has added another Ontario greenhouse grower that will provide an expanded scope of data. These projects are expected to serve as strong references to Leamington Ontario greenhouse market growers. Several also source produce from other markets such as Mexico and Central America where the Company has ongoing TAPs. Due to an ownership change, the Company’s TAPS at Alberta’s The Cucumber Man (which had exceptional yield improvement results for cucumbers as well as tomatoes) is temporarily on hold.

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended June 30, 2022

United States

CO2 GRO continues to add TAPs across the US for crops including leafy greens, tomatoes, peppers, and high-value floriculture. These TAPs are expected to be completed in 2023 with Commercial Technology Purchase negotiations slated for 2024.

Mexico

The Company continues to add Mexican growers to its sales pipeline after exhibiting for several years at Greentech Americas. TAPs with two Mexico greenhouse growers announced in 2022 are ongoing. Mexico represents the largest immediate opportunity for CO2 GRO with approximately 25,000 hectares (2.7 billion square feet) of greenhouse vegetables and another 30,000 hectares (3.3 billion square feet) of shade/net houses and high-tunnel facilities.

Central America

El Salvador based Hidroexpo S.A. de C.V. has 18 active greenhouses (and 18 idle greenhouses). Seven now have the Company's CO2 Delivery Solutions™ technology installed to date. The Company remains optimistic that the grower will install CO2 GRO's technology into its remaining 11 active greenhouses over the next few years.

The Company received interest for a TAP in Honduras with a major vegetable grower. It received this via a referral from a satisfied customer.

South America

CO2 GRO began TAPs in rose greenhouses in Colombia and Ecuador in 2022. They are having good interim results and will continue through 2023. Negotiations for sales contracts are expected in 2024.

European Union and United Kingdom

The Company has moved forward with one of the largest UK greenhouse vegetable growers for a TAP project in late 2023. The UK tomato, pepper, and cucumber market has experienced severe supply shortages over the past year and CO₂ gas interruptions. This has provided CO2 GRO an opportunity to help UK growers increase production.

Middle East and North Africa

A TAP at a major Moroccan tomato grower's R&D greenhouse complex is entering a third round with results expected by year-end and contract negotiations in 2024. The TAP project at the King Abdullah Science and Technology (KAST) University greenhouse is ongoing.

Asia and Africa

CO2 GRO began a TAP with a Japan strawberry greenhouse grower in Q2 2023. A TAP with a South African greenhouse grower will enter a second round in Q3 2023.

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended June 30, 2022

Key business development and marketing channels CO2 GRO employs are protected ag conferences, Canadian Trade Commissioners and associations, digital media and customer referrals and testimonials. Participation in protected ag conferences has led to introductions and project opportunities. Canadian Trade Commissioner Missions have been critical in accelerating market penetration through sponsored introductions to potential customers and international partners.

The Company has also been featured in key industry media outlets such as Hortidaily which resulted in more interest from growers around the world.

In Q2 2023, CO2 GRO exhibited at the Innovation Zone at the Canadian Produce Marketing Association Annual Conference. In May 2023, CO2 GRO presented at the CEA 4.0 virtual conference.

CO2 GRO continues to look for commercialization partnerships around the world in order to leverage their experience in their respective markets. The Company is in discussions with a potential strategic partner to represent its technology in the EU with an initial focus on the Netherlands greenhouse industry.

Global Issues Discussion

Labor

The Company's existing and potential customer base is very labor supply sensitive with labor typically their #1 cost. Accessibility to migrant temporary labor for protected ag facilities remains difficult to source for growers. Its ability to control the CO2 Delivery Systems remotely helps reduce any need for additional people resources.

General Inflation

While higher inflation continues to affect the food production industry, the low-cost nature of the Company's technology enables it to provide meaningful impact to its customers by increasing yields up to 30% and increasing customer profits without additional facility expansion.

Cost of Capital

Interest rates continued to rise in Q2 2023, making it more challenging for our customers to find and pay for capital to purchase CO2 GRO's technology. Growers are also accustomed to paying annual input costs. Accordingly, CO2 GRO is providing PFU options for growers who wish to annually rent our technology, but over a long-term contracted period.

Generally, growers the Company targets will increase their profitability from higher yields that will be more than double their annual usage charge in their first harvest year using CO2 GRO's technology.

Industrial CO₂ Gas Supply

Industrial supply of CO₂ remains constrained globally due to multiple factors such as feedstock supply (ammonia plant closures) and pressure to limit CO₂ production from fossil fuel sources. Greenhouse growers that do currently employ traditional CO₂ enrichment through atmospheric gassing are finding it more difficult to source CO₂ gas in large volumes. CO2 GRO's technology enables these growers to continue practicing CO₂ enrichment while using only 5%-10% of the CO₂ gas they currently use.

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended June 30, 2022

Carbon Emission Taxes

The EU Emissions Trading System (“ETS”) carbon emission credits currently trade for about €90/MT. They are the most expensive carbon emissions credits globally. Demand for these one-tonne CO₂ emission rights in the EU is forecast to rise in late 2023-2024 now that the EU's Carbon Border Adjustment Mechanism rules are set for implementation starting in October 2023.

The Netherlands greenhouse industry has been mandated by the government to become carbon neutral by 2040 and to cut 2030 emissions in half to 3 million tonnes of CO₂ equivalent per year. These greenhouses now have an increasingly stringent schedule of annual required emissions reductions they must meet. They will be required to purchase EU ETS emission credits for any excess carbon equivalent emissions above their reduction schedule.

The Company believes its technology will help these Netherland growers avoid paying these compliance charges and save most of the cost of their CO₂ gas supply.

Changes to outstanding CO2 GRO securities

Common shares

There was no change to the Company's outstanding common shares during the three months ended June 30, 2023.

Options

There was no change to the Company's outstanding options during the three months ended June 30, 2023.

During the period, 89,606 options with an exercise price of \$0.19, expired unexercised.

Subsequent to the reporting date, 1,200,000 options with an exercise price of \$0.19, expired unexercised.

Deferred Share Units (“DSU”)

There was no change to the Company's outstanding DSUs during the three months ended June 30, 2023.

Related-party transactions and balances

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.

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:

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended June 30, 2022

3 months ended	June 30, 2023	June 30, 2022
	\$	\$
Compensation to key management	27,000	27,000
Consulting fees to key management	22,500	22,500
Share-based payments	29,654	111,360
	79,154	160,860

As at June 30, 2023, \$199,368 (December 31, 2022 - \$194,799) is owed to officers or directors of the Company or entities controlled by them.

Outstanding securities

As at the date of this Interim MD&A, the Company has the following securities outstanding:

Security	Number outstanding
Common shares	97,326,698
Options (exercisable – 3,427,000)	3,627,000
DSUs	3,925,000
