



CO2 GRO Inc.

Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the three and nine months ended
September 30, 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 and nine months ended September 30, 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 interim unaudited 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

November 28, 2023

“Stephen M. Gledhill”

Stephen M. Gledhill
Chief Financial Officer

November 28, 2023

CO2 GRO Inc.

Unaudited Interim Consolidated Statements of Financial Position

(expressed in Canadian dollars)

As at	September 30, 2023	December 31, 2022
Assets	\$	\$
Current assets		
Cash	329,285	1,096,631
Harmonized taxes recoverable	519	34,485
Accounts receivable (note 6)	174,506	97,907
Prepaid expenses (note 7)	27,356	26,301
Total current assets	531,666	1,255,324
Non-current account receivable (note 6)	67,354	71,454
Intangibles, net (note 8)	111,577	96,933
Total assets	710,607	1,423,711
Liabilities		
Current liabilities		
Accounts payables and accrued liabilities (note 9)	146,685	207,460
Due to related parties (note 13)	226,368	194,799
Total current liabilities	373,053	402,259
Other liabilities (note 10)	100,174	100,174
Total liabilities	473,227	502,433
Shareholders' equity		
Common shares (note 12.2)	19,937,736	19,937,736
Contributed surplus (note 12.4)	4,617,743	4,489,105
Accumulated deficit	(24,318,099)	(23,505,563)
Total shareholders' equity	237,380	921,278
Total liabilities and shareholders' equity	710,607	1,423,711

Going concern (note 1)

Significant contracts, commitments and litigation (note 17)

Approved for issuance by the Board on November 28, 2023

"Rose Marie Gage", Independent Director

"Michael Boyd", Independent 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)

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Revenue (note 14)	282,744	166,873	316,298	198,373
Cost of sales (note 15)	(110,453)	(48,727)	(221,996)	(183,687)
Gross profit	172,291	118,146	94,302	14,686
Expenses				
Administration	19,737	56,539	94,880	155,642
Amortization	3,641	5,618	10,486	16,452
Compensation	93,762	115,449	281,524	380,644
Consulting fees	22,500	22,500	67,500	67,500
Foreign exchange (gains) losses	(2,681)	(4,389)	2,552	6,693
Investor relations and public reporting costs	61,994	85,035	136,236	175,278
Professional fees	24,988	50,079	77,995	88,806
Research and development (note 16)	15,000	19,120	75,888	75,978
Share-based compensation (note 12.5)	24,407	72,409	126,638	314,098
Total expenses	263,348	422,360	875,699	1,281,091
Operating loss before other items	(91,057)	(304,214)	(781,397)	(1,266,405)
Other items:				
Bad debts	-	-	-	(24,400)
Change in expected credit losses	(2,978)	(8,761)	(3,457)	(6,944)
Interest income accretion	6,421	2,424	16,037	8,218
Interest accretion	(43,446)	-	(43,446)	-
Interest expense	-	(273)	(273)	(789)
Other income	-	77,080	-	77,080
	(40,003)	70,470	(31,139)	53,165
Income (loss) and comprehensive income (loss) for the period	(131,060)	(233,744)	(812,536)	(1,213,240)
Basic and fully-diluted income (loss) and comprehensive income (loss) per share	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding	97,326,698	97,326,698	97,326,698	95,589,690

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)

	Common shares		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	-	-	-	314,0980	-	314,098
Loss and comprehensive loss for the period	-	-	-	-	(1,213,240)	(1,213,240)
Balance at September 30, 2022	97,326,698	19,880,220	4,080	4,491,223	(22,953,751)	1,421,772
Fair value of exercised options	-	57,516	-	(57,516)	-	-
Expiry of warrants	-	-	(4,080)	4,080	-	-
Share-based compensation	-	-	-	125,000	-	125,000
Loss and comprehensive loss for the period	-	-	-	-	(551,812)	(551,812)
Balance at December 31, 2022	97,326,698	19,937,736	-	4,489,105	(23,505,563)	921,278
Share-based compensation	-	-	-	128,638	-	128,638
Loss and comprehensive loss for the period	-	-	-	-	(812,536)	(812,536)
Balance at September 30, 2023	97,326,698	19,937,736	-	4,617,743	(24,318,099)	237,380

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)

<i>Nine months ended September 30,</i>	2023	2022
	\$	\$
Operations		
Net loss	(812,536)	(1,213,240)
Non-cash items:		
Amortization and depreciation	10,486	16,452
Bad debts	-	24,400
Change in expected credit losses	3,457	6,943
Interest accretion	43,446	-
Interest income accretion	(16,037)	(8,218)
Share-based payments	128,638	314,098
Net change in non-cash working capital items <i>(note 18.1)</i>	(135,329)	(223,222)
Cash used for operations	(777,875)	(1,082,787)
Financing activities		
Advanced from (repaid to) related parties	31,569	23,587
Changes to non-current accounts receivable	4,090	(38,134)
Exercise of warrants	-	1,723,304
Exercise of options	-	161,865
Proceeds from government grant <i>(note 11)</i>	-	18,750
Cash provided from financing activities	35,569	1,889,372
Investing activities		
Purchase of intangibles	(25,130)	(52,503)
Cash used for investing activities	(25,130)	(52,503)
Increase (decrease) in cash for the period	(767,346)	754,082
Cash at beginning of year	1,096,631	543,213
Cash at end of period	329,285	1,297,295

Supplemental cash flow information *(note 18.2)*

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

CO2 GRO Inc.

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

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

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 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 dissolved CO₂ plant enrichment platform for protected growers.

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 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.

2. Basis of Preparation

2.1 Statement of compliance

These unaudited 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 November 28, 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 the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

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 of 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), 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*'.

3. Adoption of new and revised standards and interpretations

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 the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 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 nine months ended September 30, 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. Risk management and financial instruments

5.1 Financial instruments

The Company's financial instruments are detailed as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Financial assets		
Cash	329,285	1,096,631
Accounts receivable (current and non-current)	241,870	169,361
	571,155	1,265,992
Financial liabilities		
Accounts payable and accrued liabilities	92,223	207,460
Due to related parties	226,368	194,799
	318,591	402,259

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 approximately equivalent due to the short amount of time that has passed since inception.

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

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

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 September 30, 2023, the Company had \$318,591 (December 31, 2022 - \$402,259) of liabilities with a maturity of one year or less and working capital of \$202,059 (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.

The carrying amount of cash and accounts receivable (current and non-current) represents the Company's maximum exposure to credit risk, which amounted to \$571,155 at September 30, 2023 (December 31, 2022 - \$1,265,992). The allowance for doubtful accounts as at September 30, 2023, is \$61,533 (December 31, 2022 - \$58,076).

CO2 GRO Inc.

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

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

As at September 30, 2023 and December 31, 2022, the Company's accounts receivable, net of the allowance for doubtful accounts, was aged as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Current	-	-
1 – 30 days	52,271	-
31 – 60 days	-	90,754
61 – 90 days	-	-
Over 90 days	117,235	7,153
	174,506	97,907
Receivable with terms in excess of one year	67,354	71,454
	241,870	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 as well as other foreign currencies. 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 gains during the three and nine months ended September 30, 2023 of \$2,681 (2022 – \$4,389) and losses of \$2,552 (2022 – losses of \$6,693), respectively.

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 September 30, 2023 and December 31, 2021, the Company's exposure to foreign currency balances is as follows:

Account	Foreign currency	Exposure (\$Cdn)	
		September 30, 2023	December 31, 2022
Cash	US dollar	9,462	53,986
Accounts receivable, net	US dollar	207,053	180,700
Prepays	US dollar	2,028	-

CO2 GRO Inc.

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

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

Account	Foreign currency	Exposure (\$Cdn)	
		September 30, 2023	December 31, 2022
Accounts payable and accrued liabilities	US dollar	(42,662)	(182,894)
		175,881	51,792

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net income for the period by approximately \$17,600 (2022 – \$5,200).

6. Accounts receivable

	September 30, 2023	December 31, 2022
	\$	\$
Accounts receivable - current	213,583	143,375
Allowance for expected credit losses	(39,077)	(45,467)
Current accounts receivable	174,506	97,907
Accounts receivable – non-current	89,819	84,063
Allowance for expected credit losses	(22,455)	(12,609)
Non-current accounts receivable	67,364	71,454
Accounts receivable	241,870	169,361

Generally, the receivables are on terms due between 30 and 90 days.

The Company has recognized expected credit losses for the three and nine months ended September 30, 2023, of \$2,978 (2022 - \$8,761) and \$3,457 (2022 - \$6,944), respectively.

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 September 30, 2023, is expected to be utilized during the upcoming year, with any portion consumed being expensed through the consolidated statements of loss and comprehensive loss, and any unconsumed portion reallocated to the appropriate consolidated statements of financial position classification.

	September 30, 2023	December 31, 2022
	\$	\$
Administration	1,987	-
Consulting	13,953	19,209
Cost of sales	-	950

CO2 GRO Inc.

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

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

	September 30, 2023	December 31, 2022
	\$	\$
Insurance	11,416	5,874
Legal	-	268
Total	27,356	26,301

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
Additions	25,130
September 30, 2023	136,794

Accumulated amortization

	\$
December 31, 2021	23,754
Amortization	24,105
Government (note 11)	(2,750)
Write-off of abandoned patents	(30,378)
December 31, 2022	14,731
Amortization	10,486
September 30, 2023	25,217

Net book value

December 31, 2022	96,933
September 30, 2023	111,577

9. Trade payables and accrued liabilities

Accounts payable 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 accounts payable and its accrued liabilities:

CO2 GRO Inc.

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

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

	September 30, 2023	December 31, 2022
	\$	\$
Administration	70,849	84,174
Compensation	-	94,808
Consulting	6,084	6,095
Cost of sales	20,308	13,142
Interest	43,446	-
Investor relations and public reporting costs	60	288
Professional fees	2,358	5,373
Research and development	3,580	3,580
Total	146,685	207,460

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.

12. Capital stock

12.1 Authorized

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

CO2 GRO Inc.

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

As at and for the Three and Nine Months Ended September 30, 2023 and 2022

12.2 Issued and outstanding

2023:

- (i) During the nine months ended September 30, 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 September 30, 2023, there are no warrants outstanding.

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

	September 30, 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)
Outstanding at end of period/year	-	-	-	-

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.

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.

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As at September 30, 2023, 6,105,670 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:

	September 30, 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	0.18	(2,909,606)	0.22	(644,000)
Outstanding at end of period/year	0.25	3,627,000	0.22	6,336,606
Exercisable at end of period/year	0.25	3,427,000	0.22	6,336,606

The following table provides additional information about outstanding stock options at September 30, 2023:

Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.10 to \$0.15	347,000	2.3	0.11
\$0.16 to \$0.20	300,000	1.7	0.20
\$0.21 to \$0.30	1,600,000	3.4	0.22
\$0.31 to \$0.40	1,380,000	0.6	0.32
Outstanding	3,627,000	2.1	0.25
Exercisable	3,427,000	2.2	0.25

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	September 30, 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	-	-
Outstanding at end of period/year		0.11	3,925,000	-	-

*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 September 30, 2023:

Purchase Price	No. of Compensation Units Outstanding	Weighted Average Remaining Time to Vesting (years)
\$0.11	3,925,000	0.25
Outstanding	3,925,000	0.25

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 three and nine months ended September 30, 2023 and 2022 was \$24,407 (2022 – \$72,409) and \$126,638 (2022 - \$314,098), respectively, which amounts have 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:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Transactions:	\$	\$	\$	\$
Consulting fees to key management	49,500	49,500	148,500	148,500
Share-based payments	16,737	57,540	88,224	249,302

As at September 30, 2023, \$226,368 (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.

For sales that are collected over more than one year, the Company calculates the discounted cash flow ("DCF") of the sales proceeds and records the discounted amount as revenue. The accounts receivable is subsequently accreted as interest income over the term of the payment schedule.

During the three and nine months ended September 30, 2023, the Company had revenues of \$282,744 (2022 - \$166,873) and \$316,298 (2022 - \$198,373), respectively. The Company derives all of its revenues from its sole operating segment, dissolved CO₂ plant enrichment platform for protected growers.

For the nine months ended September 30, 2023, one customer comprises (2022 – three customers comprise) 80.5% (2022 – 98.5%) of the Company's revenues.

For the three and nine months ended September 30, 2023, the Company recognized \$6,421 (2022 - \$2,424) and \$16,037 (2022 - \$8,218), respectively of interest income accretion. The amount accreted is the current portion of previously-discounted revenues for long-term sales.

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15. Cost of sales

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Commissions and fees	4,700	3,910	11,440	23,394
Consumable parts and tools	101,004	41,437	193,383	140,628
Freight, shipping and purchase discount	4,749	3,380	16,143	16,610
Purchase discounts	-	-	-	3,055
	110,453	48,727	221,996	183,687

The Company expenses consumables and tools when purchased and delivered to its customers. Revenue recognition may not have occurred when these expenses are recorded.

16. Research and development costs

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

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Technical consulting	-	650	20,888	19,400
Technical consumables	15,000	18,470	55,000	56,578
Research and development costs	15,000	19,120	75,888	75,978

17. Significant contracts, commitments and litigation

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 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.

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17.2 Novel Coronavirus ("COVID-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 of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

18. Additional cash flow information

18.1 Net change in non-cash working capital items

	September 30, 2023	September 30, 2022
Nine months ended		
	\$	\$
Accounts receivable	(64,018)	(168,339)
Sales taxes recoverable	33,966	3,528
Prepaid expenses	(1,055)	29,072
Accounts payable	(104,222)	(83,303)
Deferred revenue	-	(4,180)
	(135,329)	(223,222)

18.2 Supplemental cash flow information

	September 30, 2023	September 30, 2022
Nine months ended		
	\$	\$
Cash interest paid	273	789

19. Segmented information

Operating segments

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

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Geographic segments

CO2 GRO operates in various geographic segments. Currently, the markets in which CO2 GRO operates are Canada, the United States and the European Union.

As at	September 30, 2023	December 31, 2022
	\$	\$
Identifiable assets:		
Canada	437,120	1,323,146
United States	273,487	100,565
	710,607	1,423,711

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Loss and comprehensive loss:				
Canada	(227,460)	(246,098)	(830,948)	(1,225,594)
South America	27,879	-	10,622	-
Korea	1,757	-	200	-
United States	66,764	12,354	7,590	12,354
	(131,060)	(233,744)	(812,536)	(1,213,240)

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Revenues				
Canada	254,545	-	254,544	31,500
South America	28,199	-	35,625	-
Korea	-	-	670	-
United States	-	166,873	25,549	166,873
	282,744	166,873	316,298	198,373

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Nine months ended	September 30, 2023	September 30, 2022
	\$	\$
Cash used for operations:		
Canada	(505,890)	(1,000,787)
South America	10,622	-
Korea	200	-
United States	(282,807)	(82,000)
	(777,875)	(1,082,787)