CO2 GRO Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended September 30, 2020

November 17, 2020

CO2 GRO Inc.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
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*This interim management discussion and analysis – quarterly highlights ("**Interim MD&A**") has been prepared based on information available to CO2 GRO Inc. ("**CO2**" or the "**Company**") at November 17, 2020. This Interim MD&A is based on information available to CO2 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 nine months ended September 30, 2020 and 2019 (the "**Unaudited Interim Consolidated Financial Statements**") and the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018 (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 or future events related to CO2 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 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's current internal projections, expectations or beliefs and are based on information currently available to CO2. 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 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 disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise.

General

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**".

Dissolved CO_2 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.

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

The Unaudited 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. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness, ultimately, of the use of accounting principles applicable to a going concern. The Unaudited 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 Unaudited Interim Consolidated Financial Statements 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**"). They consolidate the accounts of the Company and all its subsidiaries. The Company has the following inactive, wholly-owned subsidiaries: Pure Polar Canada Inc., CO2 GRO (US) Inc., BlueOcean Shrimp Products Inc., Asta NutraSciences Inc., BlueOcean Algae Inc., Solutions4CO_2 USA, Inc., 70717 Newfoundland and Labrador Limited and its virtually inactive wholly-owned subsidiary, Pure Polar Labs Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

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'* ("**IFRS 11**").

The Unaudited Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 17, 2020.

Any reference in this Interim MD&A to "**notes**" are to the corresponding notes in the Unaudited Interim Consolidated Financial Statements or the Consolidated Financial Statements, as applicable.

Corporate

Novel Coronavirus ("COVID-19")

As the global pandemic continues to have effects throughout the world, the Company's operations could be significantly adversely affected by the effects of COVID-19. The Company cannot accurately predict the impact 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.

Financial condition

As at September 30, 2020, the Company had assets totaling $1,603,649 and a shareholders' equity of $1,357,371. This compares with assets of $707,341 and shareholders' equity of $400,035, as at December 31, 2019.

During the quarter ended September 30, 2020, the Company's net assets increased by $1,224,910. Changes to the Company's net assets are detailed as follows:

Item	Change	Explanation of change
	$	
Cash	1,052,272	Cash used for operating activities of $199,399 less cash used for investing activities of $2,348 offset by cash provided from financing activities of $1,254,019 (including funds raised in completion of the Financing, as hereinafter defined).
Receivables and sales taxes recoverable	6,986	Receivables and HST increased with normal transaction volume increases.
Prepaid expenses	20,714	The increase is the result of legal retainers paid with regard to the Company's patent activity.
Due to/from related parties	27,001	Details disclosed in note 17 of the Consolidated Financial Statements or in the *Transactions with related parties* section of this MD&A.
Intangible assets - Patents	1,438	Minimal increases to capitalized patent costs. Further increases will result when legal retainers (noted above), are reallocated.
Accounts payable and accrued liabilities	19,695	Decrease in payables due to normal operational variation in timing of payments.
Due to related parties	95,827	Decrease is the result of payment of personnel expense claims that had been deferred until completion of the Financing (as hereinafter defined).
CEBA loan	27,978	Details of the decreased liability are disclosed below in the *"Federal Government of Canada emergency assistance"* section of this MD&A and equates to the unaccreted amount of the CEBA loan upon repayment.
	1,224,910	

Federal Government of Canada emergency assistance

Due the global outbreak of COVID-19, the federal government of Canada introduced the Canada Emergency Business Account ("**CEBA**"). CEBA provides an interest-free loan ("**CEBA Loan**") of $40,000 to eligible businesses. The CEBA Loan has an initial term that expires on December 31, 2022, throughout which, the CEBA Loan remains interest free. Repayment of $30,000 by December 31, 2022, results in a $10,000 loan forgiveness. In April 2020, the Company applied for and received a CEBA Loan and in September 2020, the Company repaid $30,000, after completing the Financing (as hereinafter defined).

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA Loan at $27,002, using a discount rate of 15%, which was the estimated rate for a similar loan without the interest-free component. The difference of $12,998 will be accreted to the loan liability over the term of the CEBA Loan and offset to other income on the statements of loss and comprehensive loss.

Operational update

During the third quarter of 2020, the Company made significant progress in signing commercial feasibilities in Canada, the United States and El Salvador. The Company is gaining momentum with greenhouse growers across the industry spectrum including small to large facilities and crop type. The Company has also recently presented proposals to several new greenhouse projects in the US and Canada to provide CO2 Delivery Solutions™.

Of particular note was progress achieved in signing commercial feasibilities with greenhouse growers that operate multiple facilities growing peppers and strawberries. (NB no cannabis at Strong in California mentioned). This provides an opportunity upon successful completion of a commercial feasibility to sell CO2 Delivery Solutions™ for multiple facilities.

Canada

A licensed Cannabis micro-cultivator for a six-month commercial feasibility to evaluate grow-cycle time, bud production and CO2 gas usage – see news release dated August 19, 2020.

United States

A 120,000 square foot Florida hydroponic leafy greens facility commercial feasibility to be conducted on spinach to evaluate faster growth to harvest, increased bio-mass growth and protection against the spread on micro pathogens – see news release dated July 22, 2020.

In California with Strong Agronomy Management, Inc., In California with Strong Agronomy Management, Inc., to evaluate faster plant and incremental biomass regeneration, additional seed production, protection against the spread on micro pathogens and CO2 gas usage costing – see news release dated July 29, 2020.

In Iowa with Dan & Jerry DeJong's Greenhouses a commercial feasibility at a 11,500 square foot strawberry facility to evaluate faster fruit harvests, increased yields per harvest, protection against the spread of micro pathogens and CO2 usage. Dan & Jerry's Greenhouses own 1.57 million square feet of US greenhouses in four locations. – see news release dated August 26, 2020.

International

In El Salvador at a HidroExpo S.A. de C.V.'s ("**HidroExpo**") pepper greenhouse commercial feasibility (one of thirty-six 107,000 square foot greenhouses) to evaluate faster time to harvest, increased yield per harvest protection against the spread on micro pathogens and CO2 usage. Lipman Family Farms, a significant buyer of HidroExpo's pepper crops referred HidroExpo to CO2 GRO Inc. – see news release dated August 26, 2020.

Marketing partner agreements

On September 22, 2020, the Company announced an exclusive Marketing Agreement with UK-based Rika Biofuel Developments Limited to service the UK, the Netherlands and Belgium greenhouse markets.

The Company continues to pursue other Industrial Agriculture Partners and independent U.S., Canadian and international greenhouse consultants to represent its CO2 Delivery Solutions™ systems in the indoor plant grow facility marketplace. Particular focus is placed on countries with the largest greenhouse square footage in operation. This includes Spain, Japan and South Africa.

Commercial feasibility update

At the reporting date, the Company has twenty-seven active commercial feasibilities underway. In a corporate update news release dated October 8, 2020, the Company announced the sale of a further fifteen installed systems to owners of fifteen Missouri hemp greenhouses. In a news release dated November 2, 2020, the Company further announced its first CO2 Delivery Solutions™ systems sale to a licensed Canadian *Cannabis* customer that did not require a commercial feasibility prior to purchase. The customer based the purchase decision on CO2 GRO Inc. plant science data and a customer recommendation.

The majority of commercial feasibilities are installed and underway however, COVID-19 and in some cases other client specific issues or needs have resulted in unavoidable delays. Overall, each installed and operating CO2 Delivery Solutions™ has performed very well meeting or exceeding customer expectations.

A Canadian commercial feasibility was delayed for eight months due to COVID-19 Issues. That commercial feasibility is now underway.

The UAE commercial feasibility was installed and produced good results in the first two of three lettuce crop cycles. However due to COVID-19 and other issues related to the customer's busines, the commercial feasibility is on hold. The installed CO2 Delivery Solutions™ system continues to operate and is being showcased by our Marketing partner Gulf Cryo Holding Group to other Middle East greenhouse owners.

The 2020 California wildfires delayed an announced commercial feasibility with Strong Agronomy Management, Inc. to 2021.

The Colombia rose commercial feasibility with a global CO2 gas supplier has been delayed to a year-end or January 2021 start date due to delays in obtaining Colombian Customs clearance.

The travel-related and physical distancing restrictions imposed by COVID-19 have partially affected the Company's pace of developments. However, as shown by commercial feasibility announcements and installations in North America and El Salvador and a new marketing partnership for covering the UK, Belgium and the Netherlands, material commercial progress is being made. Current commercial feasibility installations outside of Canada are conducted by local contractors with remote supervision by management. While COVID-19 has presented some challenges to the advancement of the Company, to-date management has managed to implement workarounds and will continue to seek alternative paths to business development in jurisdictions outside of Canada.

Changes to outstanding CO2 GRO securities

Common shares and warrants

In September 2020, the Company completed a fully-subscribed private placement (the "**Financing**") of 11,498,695 units (each a "**Unit**") at $0.12 per Unit, raising proceeds of $1,379,843. Ospraie AG Science LLC, a strategic Ag-tech investor, participated at $1.2 million. Each Unit comprised one common share and one common share purchase warrant (each a "**Warrant**"). Each Warrant is exercisable at $0.15 until February 12, 2022, into one common share.

The relative fair value of $491,532 for the warrants, was estimated using the Black Scholes option pricing model with the following assumptions: Common share price of $0.15, term of eighteen months, risk-free rate of 2.9%, volatility of 124.6% and an exercise price of $0.15.

The private placement proceeds will allow the Company to significantly increase the pace of business development, enhance and grow Ag Industrial partnerships, its sales and technical force, fund identified value creating R&D projects and for working capital and general corporate purposes.

Related-party transactions and balances

The Unaudited 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, Chief Science Officer and Vice President of Operations. Related-party compensation paid or payable to key management is detailed below:

Three months ended	**September 30, 2020**	September 30, 2019
	$	$
Compensation to key management	**-**	-
Consulting fees to key management	**46,725**	44,445
Share-based payments	**46,150**	37,762

As at September 30, 2020, $3,911 (December 31, 2019 - $137,733) is owed to officers or directors of the Company or entities controlled by them.

In August 2020, the Company settled outstanding amounts due to a related party. Pursuant to IFRIC 19.6, an addition of $27,225 was made to common shares.

Outstanding securities

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

Security	Number outstanding
Common shares	79,615,699
Options	6,775,598
Warrants	15,461,195