# FORM 51-102F3
# MATERIAL CHANGE REPORT

**Item 1. <u>Name and Address of Company</u>**

CO2 GRO Inc. ("**CO2**" or the "**Company**")
40 King Street West, Suite 5800
Toronto, Ontario M5H 3S1

**Item 2. <u>Date of Material Change</u>**

February 2, 2024

**Item 3. <u>News Release</u>**

A news release with respect to the material change referred to in this report was issued through newswire services on February 2, 2024, and filed on the system for electronic document analysis and retrieval (SEDAR+).

**Item 4. <u>Summary of Material Change</u>**

The Company announced the closing of the first tranche of a private placement offering of unsecured convertible debenture units (the "**Debenture Units**") at a price of $1,000 per Debenture Unit for gross proceeds of $121,000 (the "**Offering**").

**Item 5.1 <u>Full Description of Material Change</u>**

The Company announced the closing of the first tranche of the Offering, on a private placement basis, of Debenture Units for gross proceeds of $121,000.

Under the first tranche, 121 Debenture Units were sold at a price of $1,000 per Debenture Unit, each consisting of $1,000 in principal of unsecured convertible debentures (the "**Debentures**") and 11,111 common share purchase warrants (the "**Warrants**") of the Company. Each Warrant will be exercisable to acquire one common share of the Company (a "**Warrant Share**") for a period of four (4) years from the Issue Date (as defined below) at an exercise price equal to $0.105.

The Debentures will bear interest at a rate of 13.5% per annum from the date of issuance (the "**Issue Date**") and will have a three-year term (the "**Term**"). During the first year of the Term, quarterly interest payments on the Debentures will be paid in cash. In the remaining two (2) years of the Term, the Company will have the option to (i) pay further interest payments in cash or (ii) make payments-in-kind by way of issuance of common shares of the Company (the "**Common Shares**") at a price equal to the market price of the Common Shares at the time the accrued interest becomes payable.

At any time during the Term, each holder of Debentures may elect to convert any portion of the principal amount of the Debentures into Common Shares at a conversion price equal to $0.09 per Common Share (the "**Conversion Price**"). The Debentures will be subject to a forced conversion provision whereby, upon delivery of such notice to holders of the Debentures, the Company is permitted to convert the principal amount of all outstanding Debentures into Common Shares at the Conversion Price in the event that the average closing price of the Common

Shares listed on the TSX Venture Exchange (the "**TSXV**") is greater than $0.20 for twenty (20) consecutive trading days.

The Company anticipates using the net proceeds of the Offering for working capital purposes, crystallization of its sales pipeline and conversion of ongoing TAPs (Technology Adaption Projects) with clients into recurring revenue, and for hiring of additional engineering and technical staff to advance all of the above. The Debentures, the Warrants and the underlying Common Shares will be subject to a statutory hold period of four (4) months and one (1) day from the Issue Date. The Offering is subject to the final acceptance of the TSXV.

Ospraie Ag Science, LLC, a control person of the Company, subscribed for a total of 100 Debenture Units under the first tranche of the Offering, which constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company relied on exemptions from the formal valuation and minority approval requirements in sections 5.5(b) and 5.7(1)(b) of MI 61-101 on the basis that the Company is not listed on a specified market and the fair market value of the transaction, insofar as it involves "related parties", does not exceed $2,500,000, as determined in accordance with MI 61-101. The Company did not file a material change report more than 21 days before the expected closing date of the Offering as the details of the Offering and the participation therein by each "related party" of the Company were not settled until shortly prior to the closing of the Offering.

No new insiders or control persons were created in connection with the closing of the first tranche of the Offering. The Offering was reviewed and unanimously approved by the Company's disinterested Board of Directors, which determined that the Offering was in the best interests of the Company. The following table provides a summary of insider participation in the Offering and the effect of the Offering on the number and percentage of securities of the Company owned by the insider:

| | | | | **Ownership following the Offering** | |
|---|---|---|---|---|---|
| **Name and Title of Insider** | **Number and Percentage of Common Shares prior to the Offering**(1) | **Value of Debentures Purchased in the Offering** | **Number of Warrants Purchased in the Offering** | **Number and Percentage of Common Shares Undiluted**(3) | **Number and Percentage of Common Shares Partially-Diluted After Conversion of Debentures and Exercise of Warrants** |
| Ospraie Ag Science, LLC, Control Person | 20,000,000 (20.5%) | $100,000(2) | 1,111,100 | 20,000,000 (20.5%) | 22,222,211 (22.3%)(4) |

(1) Based upon 97,326,698 Common Shares outstanding on an undiluted basis.
(2) Convertible into 1,111,111 Common Shares.
(3) Based upon 97,326,698 Common Shares outstanding on an undiluted basis.
(4) Assuming conversion of the first tranche of Debentures at a price equal to $0.09 per Common Share and exercise of the first tranche of Warrants into Warrant Shares.

**Item 5.2** **Disclosure for Restructuring Transactions**

Not applicable.

**Item 6.** **Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7.** **Omitted Information**

Not Applicable.

**Item 8.** **Executive Officer**

Soumik Roy
Director of Marketing, Communications, and Investor Relations
Telephone: (647) 502-5006

**Item 9.** **Date of Report**

February 8, 2024

***CAUTIONARY STATEMENT AND FORWARD-LOOKING DISCLAIMER***

*This Material Change Report contains statements which constitute “forward-looking information” within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of the Company with respect to future business activities. Forward- looking information is often identified by the words “may,” “would,” “could,” “should,” “will,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “expect” or similar expressions and include information regarding: statements regarding the future direction of the Company; the ability of the Company to successfully achieve its business and financial objectives; plans for expansion and the ability of the Company to obtain, develop and foster its business relationships; and expectations for other economic, business, and/or competitive factors. Investors are cautioned that forward-looking information is not based on historical facts but instead reflect the Company's management's expectations, estimates or projections concerning the business of the Company, future results or events based on the opinions, assumptions and estimates that management considered reasonable at the date the statements are made. Such assumptions include but are not limited to: general business and economic conditions; the Company's ability to successfully execute its plans and intentions; successful completion of the Offering; the availability of financing on reasonable terms; the Company's ability to attract and retain skilled staff; market competition; the products and technology offered by the Company's competitors; and that good relationships with business partners will be maintained. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: changes in general economic, business and political conditions, including changes in the financial markets; in particular, the ability of the Company to raise debt and equity capital in the amounts and at the costs that it expects; adverse changes in applicable laws or adverse changes in the application or enforcement of current laws; the biotechnology industry and the greenhouse growers market* *are highly competitive, and technical advances in the industry will impact the success of the Company, and other risks described in the Company's filings that are available on SEDAR+ at www.sedarplus.ca. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.*