CO2 Gro Inc.
(formerly BlueOcean NutraSciences Inc.)

Annual Management's Discussion and Analysis

of the Financial Condition and Results of Operations

Year ended December 31, 2017

April 19, 2018

CO2 Gro Inc.
(formerly BlueOcean NutraSciences Inc.)

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2017

*This annual management discussion and analysis ("**MD&A**") has been prepared based on information available to CO2 Gro Inc. (formerly BlueOcean NutraSciences Inc.) ("**CO2 Gro**" or the "**Company**") as at April 19,2018. The Annual MD&A of the operating results and financial condition of the Company as at and for the year ended December 31, 2017, should be read in conjunction with the Company's audited annual consolidated financial statements and the related notes as and for years ended December 31, 2017 and 2016 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Consolidated 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.blueoceannutra.ca.*

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 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 contains "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. These 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. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ materially from those anticipated in such 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; delays in obtaining governmental approvals or financing or in the completion of research and development activities; and, the factors discussed in the ***Risks and uncertainties*** section of this MD&A. 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 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. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

General

CO2 Gro Inc. was incorporated under the provisions of the Business Corporations Act (Ontario) on September 17, 2010. At its Annual and Special Meeting held on March 26, 2018 (the "**2018 ASM**"), the shareholders of the Company approved, among other items, the Company's name-change from BlueOcean NutraSciences Inc. to CO2 Gro Inc. As of April 12, 2018, the Company commenced trading on the TSX Venture Exchange ("**TSXV**") under its new trading symbol, "**GROW**".

Dissolved CO_2 plant-production platform: Dissolved natural CO_2 gas in water without bubbles is a new CO_2 delivery method for growers to increase yield via targeted CO_2 irrigation on plant leaves where all CO_2 gas is absorbed. The greenhouse industry has been gassing CO_2 to increase plant yields by an average of 33% (B.A. Kimball, *Agronomy Journal, V75, September-October 1983*) for the past 60 years while foliar spray has been used for the past 50 years.

Shrimp-oil platform: The Company secured a processor on an exclusive long-term basis to extract high phospholipid and astaxanthin-rich Omega-3 oil derived from wild-caught North Atlantic Ocean shrimp by-products. This shrimp oil has superior astaxanthin product properties to krill oil and wild caught Alaskan fish oil. The Company continues to hold a licence (the "Licence") from Neptune Wellness Solutions Inc. to sell its shrimp oil globally.

Astaxanthin algae-oil platform: Until recently (the 4th quarter of 2017), the Company was pursuing joint ventures, licences as well as sales of rapidly growing astaxanthin algae using its proprietary CO_2 gas infusion technology to accelerate growth. Astaxanthin oil products deliver physical and health benefits to humans and aquaculture seafood.

Omega-3 tablets and gel-caps platform: The Company received its Health Canada Natural Product Numbers ("NPN") in July 2016 for its Pure Polar Regular and Double Strength tablets. Its Joint-AX and Sport-AX products received NPN's in July 2017. The Company also received its commercial extended relief shrimp-tablet NPN in August 2017. To-date, these retail products have been sold online at amazon.com, purepolarshrimp.com, luckyvitamins.com, and inboxfitness.com and about 50 Canadian and US stores and pharmacies. CO2 Gro continues to monetize its remaining, limited inventory of products through these online and distribution channels or through bulk sale as it winds down it Wellness Platforms.

The registered and head office of the Company is located at 120 Adelaide Street West, Suite 2400, Toronto, Ontario, M5H 1T1.

The Consolidated Financial Statements consolidate the accounts of the Company and all of its subsidiaries (as detailed in note 2.3 of the Consolidated Financial Statements). As at December 31, 2017, the Company also has a 50% equity interest in one joint arrangement, 2453969 Ontario Inc. ("2453969"). CO2 Gro accounts for this arrangement using the equity method in accordance with IFRS 11 *'Joint Arrangements'.*

The Consolidated Financial Statements were authorized for issuance by the Board of Directors (The "Board") of the Company on April 18, 2018.

Operations

As at December 31, 2017, the Company has accrued an amount of $3,247,300 for a special bonus (the "Bonus") payment to various members of management (the "Management Group"), such payment to be satisfied with the issuance of shares of CO2 Gro, as approved at its annual shareholders' meeting held on March 26, 2018. For transactional and approval purposes, the 12,989,199 shares to be issued have been fair-valued based on the closing price of the Company's shares on January 24, 2018 (the date of the agreement between the parties). However, for accounting purposes, the shares are to be valued at $0.25 each, the date upon which the shareholders have approved the issuance, that date being March 26, 2018.

On October 25, 2017, the Company announced it commenced an orderly transition of its CEO from incumbent, Dr. Marvin Heuer, who headed-up the Company's shrimp-oil business to Mr. John Archibald, who is heading up the Company's re-started CO_2 business. The transition is the result of the Company's ongoing efforts to sell its shrimp-oil inventory, products, brands, trade-marks and, if possible, cumulative tax losses and move forward with its CO_2 gas-infusion irrigation business.

In February 2017, the Company announced that it had restarted its dormant algae gas infusion subsidiary targeting commercial Omega-3 and astaxanthin-based algae companies whose algae wellness products perfectly complement the Company's astaxanthin and Omega-3 rich shrimp oil wellness products. The investigations of these target companies will be done utilizing minimal CO2 Gro capital or other resources.

Corporate

Issuance of common shares during 2017

(i) In December 2017, the Company closed on a non-brokered private placement (the "December 2017 PP") by issuing a total of 7,500,000 units (each a "Unit"), raising gross proceeds of $600,000. Each Unit consists of 1 common share of the Company and 1 common share purchase warrant (each a "December 2017 Warrant"). Each December 2017 Warrant is exercisable into 1 common share at a price of $0.12, for a period of 5 years after closing. The Company paid cash fees of $56,000 and issued 550,000 finders' warrants (each a "December Finder's Warrant") and 150,000 corporate finance warrants (each a "December Corporate Finance Warrant"). Each December Finder's Warrant and each December Corporate Finance Warrant may be exercised into 1 common share for $0.08 each, for a period of 2 years after closing. The fair value of the December 2017 Warrants, the December Finder's Warrants and the December Corporate Finance Warrants of $300,000, $58,000 and $25,000 respectively, were estimated using the Black-Scholes option-pricing model using the weighted-average input variables as follows: Expected life of 4.86 years, expected risk-free rate of 1.62%, expected volatility of 179.08%, common share price of $0.189 and a dividend yield of 0%. The cash finder's fees, fair value of the December Finder's Warrants and December Corporate Finance Warrants have been allocated to common shares and warrants on the same percentage as the fair value of the warrants.

(ii) In December 2017, 100,000 and 10,000 options with a strike price of $0.135 and $0.15, respectively, were exercised raising gross proceeds of $15,000. The fair value of these options totaling $28,683 was transferred from contributed surplus to common shares.

(iii) In December 2017, 131,900 finders' warrants with strike price of $0.115 were exercised, raising gross proceeds of $15,169. The fair value of these exercised finders' warrants of $7,718 was transferred from reserve for warrants to common shares.

(iv) In June 2017, the Company issued 2,791,301 common shares with a deemed fair value of $0.115 each, for total consideration of $321,000, to settle debt in that amount (see note 12).

(v) In June 2017, the Company issued 304,347 common shares with a deemed fair value of $0.115 each, to settle outstanding consulting services in the amount of $35,000.

Warrant activity for 2017 and 2016

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

	December 31, 2017		December 31, 2016	
	Weighted Average Exercise Price	**Number of Warrants**	Weighted Average Exercise Price[1]	Number of Warrants
	$		$	
Outstanding at beginning of year	**0.23**	**23,964,196**	2.75	1,004,679
Transactions during the year:				
Granted	**0.118**	**8,200,000**	0.20	23,423,946
Exercised	**(0.115)**	**(131,900)**	-	-
Expired	**(1.46)**	**(540,250)**	(3.09)	(464,429)
Outstanding at end of year	**0.18**	**31,492,046**	0.23	23,964,196

Option activity for 2017 and 2016

A continuity of the outstanding options to purchase common shares is detailed in the following table:

	December 31, 2017		December 31, 2016	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price[1]	Number of Options
	$		$	
Outstanding at beginning of year	**0.15**	**588,756**	1.42	502,756
Transactions during the year:				
Granted	**0.14**	**2,261,506**	0.50	90,000
Exercised	**(0.14)**	**(110,000)**	-	-
Forfeit	**(0.25)**	**(69,027)**	1.00	(4,000)
Outstanding at end of year	**0.14**	**2,671,235**	0.15	588,756
Exercisable at end of year	**0.14**	**2,421,235**	0.15	588,756

The following table provides additional information about outstanding stock options at December 31, 2017:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
$0.135	897,222	4.1	0.135
$0.14	714,284	4.0	0.14
$0.15	1,059,729	4.6	0.15
Outstanding	**2,671,235**	**4.3**	**0.14**
Exercisable	**2,421,235**	**4.3**	**0.14**

As at December 31, 2017, 1,281,302 options are available for issuance under the Plan.

Conversion of Termination Amount

During the second quarter of 2015, the Company completed negotiations with TransAlta Generation Partnership ("TransAlta") and entered into a lease termination agreement (the "Termination Agreement") regarding its leased facilities at Bluewater Energy Park. The Termination Agreement fixed the remaining amount payable by the Company to TransAlta pursuant to the lease at $647,700 (the "Termination Amount").

In October 2016, the Company received from, and subsequently acknowledged to, TransAlta a notice of assignment of the Termination Agreement from TransAlta to Pathfinder Asset Management Limited ("PAML").

i) Shares for debt

On June 20, 2017, the Company was advised by PAML that it had assigned $321,000 of the Termination amount (the "Assignment") to arm's length parties that subsequently agreed to settle the debt with the issuance of 2,791,301 shares of the Company with a deemed value of $0.115 per share. For accounting purposes, this transaction has been accounted for pursuant to International Financial Reporting Interpretations Committee ("IFRIC") 19 *Extinguishment of Financial Liabilities with Equity Instruments*, which provides that the fair value, or trading price, of the shares issued be used to value the transaction. On June 20, 2017, the Company's shares closed trading at $0.075 per share, with the total fair value of the shares issued to settle the debt of $209,348. The difference between the fair value of the shares issued and the settled debt, has been recorded as a gain on conversion of onerous contract, in the amount of $111,652.

ii) Secured loan

On June 14, 2017, PAML converted (the "Debt Conversion") the remainder of the Termination Amount ($326,700) to a secured loan (the "Secured Loan") in the amount of $200,000. The Secured Loan was collateralized with a general security agreement granted by BlueOcean to PAML that provides a floating charge against the Company's interest in personal, real, immovable and leasehold property. The Secured Loan has a term of 3 years and will bear an annual interest rate of 0% for the first year and 10% per annum, compounded and paid monthly for years 2 and 3, or until the principal and all accrued interest are repaid in full. The Debt Conversion resulted in a net gain of $101,596, after accounting for the reversal of accretion recorded in the first quarter of 2017, in the amount of $8,392 and the elimination of the remaining discounted loan interest equal to $11,012.

Activity after the date of the consolidated financial statements

(i) In January 2018, the Company issued 1,404,000 options with an exercise price of $0.19 each and a term of 5 years.

(ii) In January 2018, 862,608 warrants with an exercise price of $0.20 each and varying terms to maturity, were exercised; 100,000 broker warrants with an exercise price of $0.12 and varying terms to maturity were exercised; and 629,490 broker warrants with an exercise price of $0.115 and varying terms to maturity, were exercised. Total proceeds raised through the exercises was $258,913.

(iii) In January 2018, 27,858 warrants with an exercise price of $1.00, expired unexercised.

(iv) In February 2018, 15,000 options with an exercise price of $0.15 each and varying terms to maturity, raising gross proceeds of $2,250.

(v) In February 2018, 13,698 shares with a deemed value of $2,000 ($0.146 each), were issued in part payment of January 2018 management fees.

(vi) In March 2018, 12,121 shares with a deemed value of $2,000 ($0.165 each), were issued in part payment of February 2018 management fees.

(vii) In April 2018, 11,429 shares with a deemed value of $2,000 ($0.175 each), were issued in part payment of March 2018 management fees.

Selected annual financial information

	December 31, 2017	December 31, 2016	December 31, 2015
	$	$	$
Consolidated statements of operations and comprehensive loss			
Revenue	**19,516**	7,925	1,450
Total operating expenses	**(5,063,517)**	(1,728,150)	(1,744,244)
Loss and comprehensive loss	**(4,837,795)**	(1,950,862)	(1,101,508)
Basic and diluted loss per common share	**(0.158)**	(0.18)	(0.18)
Consolidated statements of cash flow			
Cash used for operations	**(787,525)**	(1,614,614)	(1,235,647)
Cash used for investing activities	**-**	(27,347)	(54,048)
Cash provided from financing activities	**574,169**	2,394,245	1,015,172
Increase/(decrease) in cash	**(213,356)**	752,284	(274,523)
Consolidated statements of financial position			
Cash	**568,967**	782,323	30,039
Total assets	**606,620**	1,031,525	142,172
Shareholders' equity (deficit)	**(373,862)**	123,135	(484,927)
Average number of common shares outstanding	**30,697,981**	10,624,381	6,165,564

Overall performance

As at December 31, 2017, the Company had assets totaling $606,770 and a shareholders' deficiency of $373,862. This compares with assets of $1,031,525 and shareholders' equity of $123,135, as at December 31, 2016.

As at December 31, 2017 versus December 31, 2016

Total assets decreased by $424,755 (2016 – increased by $889,353) during the year ended December 31, 2017. Approximately one-half of this decrease was attributed to cash, which decreased by $213,356. This decrease resulted from financing activities that raised net proceeds of $574,169 (including net receipts from related parties) offset by $787,525 used for operating activities.

Decreases to prepaid expenses in the amount of $195,117, as the Company expended that asset together with decreased HST recoverable in the amount of $16,282, round out the remainder of the overall decrease.

Results of operations

The Company has generated only nominal operating revenue and therefore losses have been incurred throughout the year ended December 31, 2017.

Year ended December 31, 2017 and December 31, 2016

Loss and comprehensive loss for the year was $4,837,795 (2016 – $1,950,862) or $0.16 (2016 – $0.18) loss per share. Operating costs increased by $3,335,367 over 2016, mainly the result of share-based compensation accrued for the Bonus. The significant changes are detailed below:

Operating loss of $5,044,001 *(2016 - $1,720,225)*

Administration of $184,480 (2016 - $131,648)

The increase of approximately $53,000 was mainly the result of increased sales expenses of approximately $57,000, as the Company focused on selling off its remaining tablet products. These costs were offset by a reduction of approximately $4,000 in carrying costs of the product held in storage.

Compensation of $169,077 (2016 - $457,680)

The decrease of approximately $288,000 was mainly the result of a decrease of approximately $263,000 for full-time positions, being the VP of sales for the entire year and VP Operations for 3 months of the year. The remainder of the decrease of approximately $25,000, resulted from reduced compensation paid by the Company to its CEO and VP Operations.

Consulting fees of $192,657 (2016 - $142,199)

The increase of approximately $50,000 resulted from marketing and capital-raising cost increase of approximately $69,000 together with US management increases of approximately $6,000. These increases were offset by Canadian management costs paid to RG Management Services Inc. ("RGMS") of approximately $25,000 (see *Transactions with related parties*, later in this MD&A).

Investor relations and public reporting costs of $288,806 (2016 – $131,387)

The increase of approximately $157,000, resulted from and increase in investor relation expenses of approximately $193,000 as the Company worked toward the production and sale of its shrimp-oil and tablet products during the first 9 months of the year. This increase was offset by reductions to its public reporting costs of approximately $36,000, mainly the result of a reduction in contracted press-release expenses and the deferral of the Company's 2016 annual and special meeting.

License fee of $327,746 (2016 – $418,419)

During the comparative period, the Company accrued for an extra quarter of fees as it was determined that fees would be payable to the licensor until December 31st of each year.

Professional fees of $60,494 (2016 – $106,098)

The reduction of approximately $46,000 was due to reductions achieved in audit and audit-related costs of approximately $28,000, the result the Company's change of auditor. The remainder of the decrease of approximately $18,000 was due to reductions to legal fees incurred throughout the year.

Research and development of $342,690 (2016 – $279,945)

Details of the increase for the year of disclosed in the *Research and development* section of this MD&A.

Share-based compensation of $3,495,283 (2016 – $66,400)

The increase of approximately $3,439,000, reflects both an increase to the options vesting throughout 2017 (increase of $182,000) as well as the accrual for the Bonus, in the amount of $3,247,300, for which there is no comparative amount.

Other items, gain of $206,206 (2016 – loss of $230,637)

Loss resulting from onerous contract of $nil (2016 – $54,290)

There were no losses related to the onerous contract during the current year.

Gain on forgiveness of debt (conversion of onerous contract) of $213,249 (2016 - $nil)

The gain was composed of 2 components:

i) The Company issued 2,791,301 shares with a deemed value of $0.115 each as consideration for the extinguishment of debt totaling $321,000 (one-half of the Termination Amount). At the time of issue, the fair value of the shares was $0.075 each, resulting in a gain of $111,652 (see note 11.1 of the Consolidated Financial Statements).

ii) The Company converted the remaining half of the Termination Amount of $321,000, unsecured, to a secured note in the amount of $200,000 (see note 11.2 of the Consolidated Financial Statements). After accounting for the reversal of current year accretion and elimination of the remaining discounted loan, a gain of $101,596 was recorded.

Interest expense of $7,043 (2016 - $149,000)

The decrease of approximately $142,000 was mainly the result of $144,000 of interest incurred and paid on the bridge loan for 2016. The loan plus accrued interest was repaid in full in 2016.

Summary of quarterly results

	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017	1st Quarter 2017
Total revenues (returns)	2,852	1,457	19,897	(4,690)
Income (loss) and comprehensive loss	(3,676,901)	(323,966)	(179,594)	(657,334)
Net loss per share – basic and fully-diluted[1]	(0.08)	(0.01)	(0.01)	(0.06)
Total assets	606,770	326,850	382,680	513,989
Long-term debt	(200,000)	(200,000)	(200,000)	-
Equity (Deficit)	(373,862)	(540,180)	(245,776)	(365,075)
Cash dividends declared per common share	-	-	-	-

	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016
Total revenues	-	7,925	-	-
Income (loss) and comprehensive loss	(1,123,191)	(172,586)	(450,334)	(204,751)
Net loss per share – basic and fully-diluted[1]	(0.056)	(0.027)	(0.068)	(0.033)
Total assets	1,031,525	49,774	185,763	163,331
Long-term debt	-	(501,870)	(651,033)	(678,079)
Deficit	123,135	(1,126,973)	(954,567)	(514,748)
Cash dividends declared per common share	-	-	-	-

[1]Inclusion of outstanding warrants and options is anti-dilutive.

Liquidity and capital resources

As at December 31, 2017, the Company had a working capital deficit of $167,196 (December 31, 2016 – working capital of $123,135) and has sustained operating losses and negative cash flows from operations since its inception. Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Company is exposed to significant liquidity risk, as it continues to have net cash outflows to support its operations.

The Company monitors its financial position on a continual basis and updates its expected use of cash resources based on the latest available data.

There are no off-statement-of-financial-position conditions that would adversely affect the Company's liquidity and the Company has not changed its approach to capital management during the year ended December 31, 2017.

Transactions with related parties

Year ended December 31, 2017 and December 31, 2016

During the year ended December 31, 2017, compensation to key management totaled $157,706 (2016 - $333,158). Further, compensation to be settled with the issuance of shares totaling $3,470,027 (2016 - $nil) will be paid to settle the Bonus. Consulting costs of $140,130 (2016 - $120,000) were paid to RGMS and a director of the Company for administrative, corporate secretarial, CFO and corporate development services during the year. The Company's CFO is a partner of RGMS. The Company also incurred legal fees of $18,367 (2016 - $6,528) and $nil (2016 - $1,350), respectively, that were paid to a law firm of which the former President and CEO is a partner.

During the year ended December 31, 2017, non-cash, share-based compensation for the vesting of options to key management (being officers and directors of the Company), totaled $228,754 (2016 – $44,474). Note 12 of the Consolidated Financial Statements details the Black-Scholes assumptions used to calculate the fair value of the options issued during the year.

During 2017, the Company issued nil (2016 – 35,714) common shares with a value of $nil (2016 - $2,500) (see notes 13 (ix) of the Consolidated Financial Statements) to RGMS in payment of partial management fees.

During 2017, the Company's CFO exercised 110,000 options (2016 – nil), raising proceeds for the Company of $15,000 (2016 - $nil).

During the year ended December 31, 2017, related parties invested $nil (2016 - $416,467) in the private placements completed by the Company.

As at December 31, 2017, $139,877 (2016 - $43,929) is owed to officers and/or directors of the Company or entities controlled by them (see note 12 of the Consolidated Financial Statements).

Adoption of new and revised standards and interpretations

At the date of the Consolidated Financial Statements, the IASB and IFRIC have issued the following revised standards that are not yet effective for the relevant reporting periods and for which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

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 these amendments is yet to be determined, however early adoption is permitted.

IFRS 15 - Revenue from Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

Risks and uncertainties

Capital management

The Company's main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development, production and promotion. Secondarily, 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 years ended December 31, 2017 or 2016. The Company is not subject to externally imposed capital restrictions.

Financial instruments and risk management

Financial instruments

Fair value

The Company has designated its cash as fair-value-through-profit-and-loss, which is measured at fair value. Trade payables and accrued liabilities, due to related parties and onerous contract are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also approximates fair value. Fair values of accounts payable and accrued liabilities, due to related parties and onerous contract are determined from transaction values that were derived from observable market inputs.

As at December 31, 2017, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the short-term nature of the instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates**.**

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).

a. **Currency risk**

The Company's functional currency and the majority of its operations have been conducted in Canadian dollars. CO2 Gro occasionally conducts business in United States (**"US"**) dollars. Financial assets and liabilities denominated in foreign currencies will be affected by changes in the exchange rate between the functional currency and these foreign currencies. The assets and liabilities primarily affected are cash and trade payables and accrued liabilities that are denominated in foreign currencies. The Company has recognized currency exchange losses during the year ended December 31, 2017 of $2,284 (2016 – gains of $5,626).

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

b. Fair value

The carrying amounts of cash, trade payables and accrued liabilities, onerous contract and amounts due to related parties approximate their fair values given their short-term nature. As at December 31, 2016, the fair value of the onerous contract was calculated using the present value of future cash commitments utilizing a rate of 12%, compounded monthly. Interest is calculated and accreted up to the Termination Amount of $647,700 (as defined in note 11). In June 2017, the onerous contract was assigned to various parties and one-half of the debt ($321,000) was satisfied with the issuance of 2,791,301 shares (note 11) with a fair value of $195,391, resulting in a gain of $125,609. The remainder of the debt ($326,700) was converted to a secured note in the amount of $200,000 (note 11), resulting in a further gain of $101,596, after accounting for the remaining, unamortized interest accretion of $11,712 and reversing the accretion taken to-date in 2017 of $8,392.

Other risk factors

Key personnel

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate is business.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its Consolidated Financial Statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Technical, Regulatory and Product Platform Risk

The success of the Company depends to a large extent upon the Company's ability to produce and sell products that are new and have never been sold before. To-date, the Company has sold a de minimus amount of its products and there is no guarantee the Company will be able to produce products that customers are willing to buy. There may also be unknown scientific, technical or regulatory risks associated with sales of the proposed product platforms that the Company is unable to overcome.

Research and development costs

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

	Year ended	
	Dec. 31, 2017	Dec. 31, 2016
	$	$
Technical consulting	**76,290**	7,540
Technical consumables	**266,400**	272,405
Research and development costs	**342,690**	279,945

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at April 19, 2018:

	Number
Common shares	41,169,709
Warrants	28,622,588
Finders' and Corporate Finance Warrants	1,249,503
Options	4,060,236