CO2 GRO Inc.

CO2 GRO Inc.

(formerly, BlueOcean NutraSciences Inc.)

(a development-stage company)

Unaudited Interim Consolidated Financial Statements

(expressed in Canadian dollars)

As at and for the three and six months ended June 30, 2018 and 2017

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of CO2 GRO Inc. (formerly, BlueOcean NutraSciences Inc.) (the "Company") have been prepared by and are the responsibility of management. The unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2018 and 2017 have not been reviewed by the Company's auditors.

CO2 GRO Inc.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of CO2 GRO Inc. (formerly, BlueOcean NutraSciences 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 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

July 25, 2018

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

July 25, 2018

CO2 GRO Inc.
(formerly, BlueOcean NutraSciences Inc.)

Unaudited Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars)

As at	**June 30, 2018**	December 31, 2017
Assets	**$**	$
Current assets		
Cash	**523,416**	568,967
Sales taxes recoverable	**29,876**	32,498
Prepaid expenses *(note 7)*	**39,054**	5,305
Total current assets	**592,346**	606,770
Total assets	**592,346**	606,770
Liabilities		
Current liabilities		
Trade payables and accrued liabilities *(note 8)*	**617,808**	634,089
Due to related parties *(note 11)*	**104,953**	139,877
Total current liabilities	**722,761**	773,966
Non-current liabilities		
Straight-line interest payable *(note 9)*	**13,332**	6,666
Secured loan *(note 9)*	**200,000**	200,000
Total non-current liabilities	**213,332**	206,666
Total liabilities	**936,093**	980,632
Shareholders' deficiency		
Capital stock *(note 10)*	**8,719,439**	8,248,939
Shares to be issued *(note 10)*	**3,247,000**	3,247,300
Reserve for warrants *(note 10)*	**1,388,078**	1,566,621
Contributed surplus *(note 10)*	**3,165,682**	2,883,717
Accumulated deficit	**(16,864,246)**	(16,320,439)
Total shareholders' deficiency	**(343,747)**	(373,862)
Total liabilities and shareholders' deficiency	**592,346**	606,770

Going concern (note 1)
Significant contracts and commitments (note 15)
Subsequent event (note 16)

Approved for issuance by the Board on July 24, 2018

"Samuel Kanes", Director

"Michael Boyd", Director

CO2 GRO Inc.
(formerly, BlueOcean NutraSciences Inc.)

Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars-except weighted average number of common shares outstanding)

	3 months ended		6 months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
	$	$	**$**	$
Revenue *(note 17)*	**245**	19,897	**343**	15,207
Expenses				
Administration	**20,216**	47,809	**50,935**	141,348
Compensation	**-**	50,656	**-**	120,641
Consulting fees	**22,500**	66,852	**45,300**	153,718
Foreign exchange (gains) losses	**4,201**	(751)	**7,303**	(762)
Investor relations and public reporting costs	**24,250**	109,599	**43,827**	214,780
Licence fees *(notes 13 & 15)*	**-**	84,050	**-**	171,339
Professional fees	**30,659**	12,805	**59,368**	38,746
Research and development non-compensation *(note 13)*	**46,857**	(4,388)	**47,001**	28,930
Share-based compensation *(note 10)*	**15,863**	54,526	**283,749**	196,650
Total expenses	**164,546**	421,158	**537,483**	1,065,390
Operating loss before other items	**(164,241)**	(401,261)	**(537,140)**	(1,050,183)
Other items:				
Interest income (expense)	**(3,333)**	26	**(6,666)**	26
Recovery (loss) resulting from onerous contract	**-**	8,392	**-**	-
Gain on conversion of onerous contract	**-**	213,249	**-**	213,249
	(3,333)	221,667	**(6,666)**	213,275
Income (loss) and comprehensive income (loss) for the period	**(167,634)**	(179,594)	**(543,806)**	(836,908)
Basic and fully-diluted income (loss) and comprehensive income (loss) per share	**(0.004)**	(0.006)	**(0.013)**	(0.029)
Weighted average number of common shares outstanding	**41,158,280**	29,062,014	**41,091,780**	28,875,948

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

CO2 GRO Inc.
(formerly, BlueOcean NutraSciences Inc.)

Unaudited Interim Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Capital stock						
	Number of Shares	**Amount**	**Shares to be issued**	**Warrants**	**Contributed surplus**	**Accumulated deficit**	**Total**
		$	$	$	$	$	$
Balance at December 31, 2016	**28,687,815**	**7,724,523**	-	**1,644,009**	**2,237,247**	**(11,482,644)**	**123,135**
Shares issued for debt *(note 10)*	2,791,301	209,347	-	-	-	-	209,347
Shares for services	304,347	35,000	-	-	-	-	35,000
Expiry of warrants	-	-	-	(393,939)	393,939	-	-
Shares issued for services	3,571	2,500	-	-	-	-	2,500
Share-based compensation accrued in 2016	-	-	-	-	27,000	-	27,000
Share-based compensation	-	-	-	-	196,650	-	196,650
Loss and comprehensive loss for the period	-	-	-	-	-	(836,908)	(836,908)
Balance at June 30, 2017	31,783,463	7,968,870	-	1,250,070	2,854,836	(12,319,552)	(245,776)
Shares issued for cash	7,500,000	600,000	-	-	-	-	600,000
Shares to be issued *(note 10)*	-	-	3,247,000	-	-	-	3,247,000
Fair value of issued warrants	-	(300,000)	-	300,000	-	-	-
Cash cost of issuance	-	(28,000)	-	(28,000)	-	-	(56,000)
Fair value of broker/finders' warrants	-	(58,500)	-	58,500	-	-	-
Exercise of warrants	-	15,169	-	-	-	-	15,169
Fair value of exercised warrants	-	7,718	-	(7,718)	-	-	-
Expiry of warrants	131,900	-	-	(6,231)	6,231	-	-
Exercise of options	110,000	15,000	-	-	-	-	15,000
Fair value of exercised options	-	28,682	-	-	(28,682)	-	-
Share-based compensation	-	-	-	-	51,333	-	51,333
Loss and comprehensive loss for the period	-	-	-	-	-	(4,000,887)	(4,000,887)
Balance at December 31, 2017	39,525,363	8,248,939	3,247,000	1,566,621	2,883,718	(16,320,439)	(373,861)
Shares issued for services	**66,947**	**10,000**	**-**	**-**	**-**	**-**	**10,000**
Exercise of warrants	**1,592,098**	**256,914**	**-**	**-**	**-**	**-**	**256,914**
Fair value of exercised warrants	**-**	**126,426**	**-**	**(126,426)**	**-**	**-**	**-**
Expiry of warrants	**-**	**-**	**-**	**(52,117)**	**52,117**	**-**	**-**
Exercise of options	**164,396**	**23,259**	**-**	**-**	**-**	**-**	**23,259**
Fair value of exercised options	**-**	**53,901**	**-**	**-**	**(53,901)**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**-**	**283,749**	**-**	**283,749**
Loss and comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(543,806)**	**(543,806)**
Balance at June 30, 2018	**41,348,804**	**8,719,439**	**3,247,000**	**1,388,078**	**3,165,683**	**(16,864,245)**	**(343,745)**

CO2 GRO Inc.
(formerly, BlueOcean NutraSciences Inc.)

Unaudited Interim Consolidated Statements of Cash Flow

(expressed in Canadian Dollars)

Six months ended June 30,	**2018**	2017
	$	$
Operations		
Net loss	**(543,806)**	(836,908)
Non-cash items:		
Gain on conversion of onerous contract *(note 14)*	**-**	(213,249)
Interest expense *(note 9)*	**6,666**	-
Shares issued for services	**10,000**	35,000
Share-based payments	**283,749**	196,650
Net change in non-cash working capital items:		
Prepaid expenses	**(33,749)**	155,451
Sales taxes recoverable	**2,622**	4,525
Inventory	**-**	(238,017)
Trade payables and accrued liabilities	**(16,282)**	158,074
Cash used for operations	**(290,800)**	(738,474)
Financing activities		
Exercise of warrants	**256,914**	-
Exercise of options	**23,259**	-
Related-party loans repaid	**(36,924)**	(32,634)
Related-party loan advanced	**2,000**	44,402
Cash provided from financing activities	**245,249**	11,768
Investing activities		
Short-term investment	**-**	(10,000)
Cash used for investing activities	**-**	(10,000)
Decrease in cash for the period	**(45,551)**	(736,706)
Cash at beginning of year	**568,967**	782,323
Cash at end of period	**523,416**	45,617

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. 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 18, 2018, the Company commenced trading on the TSX Venture Exchange ("**TSXV**") under its new trading symbol, "**GROW**".

Dissolved CO_2 plant-production platform: As of late 2017, CO2 GRO's sole focus is commercializing its patent-protected CO_2 gas infusion technology license and its patent-pending US PTO CO_2 foliar spray, both of which form the Company's Dissolved CO_2 plant-production platform. Prior to the 4th quarter of 2017, the Company was a producer and marketer of natural specialty shrimp and algal oil products that formed CO2 GRO's 3 other business platforms pursuant to a license agreement signed in October 2014.

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

These unaudited interim consolidated financial statements (the "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 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 Consolidated Financial Statements were approved and authorized for issuance by the Board July 24, 2018.

2.2 Basis of presentation

The Consolidated Financial Statements have been prepared on a historical cost basis and are presented in Canadian dollars, the Company's functional currency. The preparation of the Consolidated Financial Statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment 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 inactive, wholly-owned subsidiaries: Pure Polar Canada Inc. (formerly, Solutions4CO_2 Technologies Inc.), BlueOcean Shrimp Products Inc. (formerly, S4CO2 Services Inc.), Asta NutraSciences Inc. (formerly, S4CO2 Manufacturing Inc.), BlueOcean Algae Inc. (formerly, Solutions4CO_2 (SJVB) Limited), Solutions4CO_2 USA, Inc., 70717 Newfoundland and Labrador Limited ("70717") and virtually inactive wholly-owned subsidiary, Pure Polar Labs Inc. ("Pure Polar"). 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 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").

3. 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, some of which 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, and the Company has adopted this standard.

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, and the Company has adopted this standard.

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. The

Company has not yet adapted this standard and is currently assessing the impact on its Consolidated Financial Statements.

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, and the Company has adopted this standard.

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, and the Company has adopted this standard.

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. The Company has not yet adapted this standard and is currently assessing the impact on its Consolidated Financial Statements.

4. 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 paying 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 6 months ended June 30, 2018 or he comparable period. The Company is not subject to externally imposed capital restrictions.

5. Risk management and financial instruments

5.1 Financial instruments

Fair value

IFRS requires that the Company disclose information about the fair-value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Cash and sales taxes recoverable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

As at June 30, 2018 and December 31, 2017, the carrying and fair value amounts of the Company's financial instruments are approximately the same because of the short-term nature of these instruments.

Fair-value measurements are classified using a fair-value hierarchy that reflects the significance of the input used in making the measurements. The fair-value hierarchy shall have the following levels: (a) quoted market prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

5.2 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 3 and 6 months ended June 30, 2018 of $4,201 and $7,303 (2017 – gains of $751 and $762), respectively.

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

(expressed in Canadian dollars)

b. Fair value

The carrying amounts of cash, trade payables and accrued liabilities, and amounts due to related parties approximate their fair values given their short-term nature.

6. Sensitivity analysis

The Company's funds are kept in Canadian and US dollars at a major Canadian financial institution.

As at June 30, 2018, the Company’s exposure to foreign currency balances is as follows:

		Exposure ($Cdn)	
Account	**Foreign Currency**	**June 30, 2018**	December 31, 2017
Cash	US dollar	**1,171**	221

The Company believes that a change of 10% in foreign exchange rates would not have a material effect on net loss for the period.

7. Prepaid expenses

Prepaid expenses represent costs expended by the Company for which it has not yet received value. As at June 30, 2018 and December 31, 2017, the prepaid expenses of the Company are detailed as follows:

	June 30, 2018	December 31, 2017
	$	$
Insurance	**14,054**	5,305
Prepaid management fees *(note 11)*	**25,000**	-
Total	**39,054**	5,305

8. Trade payables and accrued liabilities

Trade payables 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 trade payables and its accrued liabilities:

	June 30, 2018	December 31, 2017
	$	$
Administration	**31,485**	7,549
Broker finders’ fees (capitalized)	**-**	24,000
Consulting	**36,392**	35,271
Investor relations and public reporting costs	**16,767**	14,197
Licence fees	**407,638**	407,638

(expressed in Canadian dollars)

Professional fees	**24,259**	48,316
Research and development	**101,267**	97,118
Total trade payables and accrued liabilities	**617,808**	634,089

9. Secured loan

On June 14, 2017, the Company converted an unsecured loan in the amount of $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 the Company to the lender 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.

Pursuant to IAS 39 *Financial Instruments: Recognition and Measurement*, the interest payable over the term of the Secured Loan will be recorded on a straight-line basis resulting in an interest expense that is consistent over each of the 3 years during the term of the Secured Loan but an increasing, non-payable, accrued interest payable during the first year of the term and decreasing over years 2 and 3, when interest payments are made. For the 3 and 6 months ended June 30, 2018, the Company has incurred $3,333 and $6,666 (2017 - $nil and $nil), respectively, of non-cash, straight-line interest expense.

10. Capital stock

Authorized

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

Issued and outstanding

2018:

(i) In January 2018, 862,608 warrants each with an exercise price of $0.20 and expiry dates of October 12, 2018 and October 26, 2018 for 437,608 and 425,000, respectively, were exercised raising $172,522 of proceeds for the Company. The fair value of $84,323 of the exercised warrants was transferred from reserved for warrants to capital stock.

(ii) In January 2018, 100,000 warrants each with an exercise price of $0.12 and an expiry date of December 19, 2022, were exercised raising $12,000 of proceeds for the Company. The fair value of $4,000 of the exercised warrants was transferred from reserved for warrants to capital stock.

(iii) In January 2018, 629,490 finders' warrants each with an exercise price of $0.115 and expiry dates of October 12, December 12 and December 13, 2018 for 405,655, 219,487 and 4,348 finders' warrants, respectively, raising $72,391 of proceeds for the Company. The fair value of $38,103 of the exercised warrants was transferred from reserved for warrants to capital stock.

(iv) In January 2018, 15,000 options each with an exercise price of $0.15 and maturity dates of February 22, 2023 and March 27, 2024 for 10,000 and 5,000, respectively, raising proceeds of $2,250 for the Company. The fair value of $26,300 of the exercised options was transferred from contributed surplus to capital stock.

(v) In February through June 2018, the Company issued a total of 66,647 shares with a fair value of $10,000, for management services provided by the Company's CFO.

(vi) In April 2018, 146,896 options were exercised raising $20,534 of proceeds for the Company. The fair value of the exercised options was $26,220, with such amount transferred from contributed surplus to capital stock.

2017:

(vii) 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 are $300,000, $92,000 and $25,000 respectively. The December 2017 Warrants were estimated using the Black-Scholes option-pricing model using the weighted-average input variables as follows: Expected life of 5 years, expected risk-free rate of 1.7%, expected volatility of 171%, 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.

(viii) In December 2017, 100,000 and 10,000 options with an exercise price of $0.135 and $0.15, respectively, were exercised raising gross proceeds of $15,000. The fair value of these options totaling $28,682 was transferred from contributed surplus to common shares.

(ix) 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.

(x) 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 11.1).

(xi) 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.

Shares to be issued

During 2017, various members of management (the "**Management Group**") were tasked with restarting the Company's dissolved CO_2 plant-production platform (the **"Restart"**) without the use of Company cash or resources. The non-compensated Management Group and the Company agreed on the principal terms of the Restart and further agreed that compensation to the Management Group for success, would be made with the issuance of CO2 Gro shares equal to 24% of the outstanding and issued common shares after the issuance. The value of the shares was determined at $0.25. The number of shares required to be issued was calculated at 12,989,199 and valued at $3,247,300.

(expressed in Canadian dollars)

Warrants

The outstanding issued warrants balance as at June 30, 2018 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price $	Fair value $
October 11, 2018	Warrants	2,915,868	0.20	419,154
October 12, 2018	Warrants	7,516,254	0.20	72,929
October 12, 2018	Finders' Warrants	50,100	0.115	3,828
October 26, 2018	Warrants	5,295,220	0.20	266,847
October 26, 2018	Finders' Warrants	360,108	0.115	18,143
October 26, 2018	Corporate Finance Warrants	105,904	0.115	5,556
December 12, 2018	Warrants	5,006,546	0.20	257,769
December 12, 2018	Finders' Warrants	33,391	0.115	2,309
December 13, 2018	Warrants	217,400	0.20	10,878
December 14, 2019	Finders' Warrants	400,000	0.08	32,538
December 14, 2019	Corporate Finance Warrants	112,500	0.08	9,500
December 19, 2019	Finders' Warrants	150,000	0.08	12,000
December 19, 2019	Corporate Finance Warrants	37,500	0.08	3,000
December 14, 2022	Warrants	5,625,000	0.12	225,000
December 19, 2022	Warrants	1,775,000	0.12	71,000
Cash costs allocated to warrants		-	-	(28,000)
Total		**29,600,791**		**1,382,452**

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

	June 30, 2018		December 31, 2017	
	Weighted Average Exercise Price	**Number of Warrants**	Weighted Average Exercise Price[1]	Number of Warrants[1]
	$		$	
Outstanding at beginning of year	**0.181**	**31,492,046**	0.230	23,964,196
Transactions during the year:				
Granted	**-**	**-**	0.118	8,200,000
Exercised	**(0.161)**	**(1,592,098)**	(0.115)	(131,900)

(expressed in Canadian dollars)

Expired	**(0.819)**	**(299,157)**	(1.460)	(540,250)
Outstanding at end of year	**0.176**	**29,600,791**	0.181	31,492,046

Contributed surplus

At the 2016 ASM, shareholders approved a change to the Company's fixed stock option plan, allowing it to convert to a 10% rolling stock option plan (the "Plan"). Pursuant to the Plan, options to purchase common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The Plan allows for the issuance of up to 10% of the issued and outstanding common shares. As at June 30, 2018, 74,041 (2017 – 1,281,302) options are available for issuance under the Plan.

The principal features of the Plan are as follows:

(a) the maximum aggregate number of common shares that may be allocated and made available to be granted to participants under the Plan is 10% of the issued and outstanding common shares of the Company, less the number of options currently issued;

(b) the aggregate number of common shares that may be reserved for issuance pursuant to options granted to Insiders (defined as (a) a director or senior officer of the Company; (b) a director or senior officer of a "company" (as defined in the TSX Venture Exchange ("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;

(c) the aggregate number of options 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;

(d) 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;

(e) 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

(f) 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).

(expressed in Canadian dollars)

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

	June 30, 2018		December 31, 2017	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price[1]	Number of Options
	$		$	
Outstanding at beginning of year	**0.14**	**2,421,.235**	0.15	588,756
Transactions during the year:				
Granted	**0.19**	**1,554,000**	0.14	2,261,506
Exercised	**(0.14)**	**(164,396)**	(0.14)	(110,000)
Forfeit				(69,027)
Outstanding at end of period	**0.16**	**4,060,840**	0.14	2,671,235
Exercisable at end of period	**0.16**	**3,810,840**	0.14	2,421,235

The following table provides additional information about outstanding stock options at June 30, 2018:

Exercise Prices	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**
$01.0 to $0.145	2,509,340	2.4	0.14
$0.15 tp $0.195	1,551,500	4.6	0.19
Outstanding	**4,060,840**	**3.2**	**0.16**
Exercisable	**3,960,236**	**2.4**	**0.16**

The Black-Scholes option pricing model was used to determine the fair value of the issued options. The weighted average assumptions used for the 2018 options were as follows: risk-free interest rate of 2.05%; expected volatility of 162.21%; expected life of 5 years; expected dividends of $nil and weighted average common share price of $0.20. The grant-date fair value of the options issued in 2018, is $294,000.

The Black-Scholes option pricing model was used to determine the fair value of the issued options. The weighted average assumptions used for the 2017 options were as follows: risk-free interest rate of 1.08%-1.12%; expected volatility of 165%; expected life of 3.59 years; expected dividends of $nil and weighted average common share price of $0.136. The grant-date fair value of the options issued in 2017, is $274,983.

(expressed in Canadian dollars)

Share-based payments

The fair value of the stock options vested for the 3 and 6 months ended June 30, 2018 was $15,863 and $283,749 (2017 – $54,526 and $196,650), respectively, which amount has been expensed in the consolidated statements of loss and comprehensive loss and off-set to contributed surplus.

11. Related-party transactions and key management compensation

The Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

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. Related-party compensation paid or payable to key management is detailed below:

	3 months ended		6 months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
Transactions:	**$**	$	**$**	$
Compensation	**-**	39,688	**-**	110,338
Consulting fees	**22,500**	30,000	**45,300**	60,000
Legal fees	**210**	8,305	**210**	17,607
Share-based payments	**11,197**	54,256	**278,197**	183,653

As at June 30, 2018, $104,953 (December 31, 2017 - $139,877) is owed to officers or directors of the Company or entities controlled by them.

Included in consulting fees to key management above, 41,128 (3 months) and 66,947 (6 months) common shares of the Company, with a fair value of $4,000 and $10,000, respectively, were issued to a company controlled by the CO2 GRO's CFO (note 10 (v)). The shares were issued pursuant to a shares-for-services agreement with the Company's CFO, wherein $2,000 per month is settled with the issuance of shares.

As at June 30, 2018, the balance of prepaid expenses includes $25,000 paid to a corporation controlled by the Company's CFO pursuant to an amendment to the management services agreement.

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(expressed in Canadian dollars)

12. Revenue

	3 months ended		6 months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
	$	$	**$**	$
Revenue streams (returns):				
Omega-3 tablets and gel-caps	**245**	-	**343**	-
Shrimp oil	**-**	-	**-**	(7,925)
Specialty oil	**-**	19,897	**-**	23,132
	245	19,897	**343**	15,207

13. Research and development costs

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

	3 months ended		6 months ended	
	June 30, 2018	June 30, 2016	**June 30, 2017**	June 30, 2016
	$	$	**$**	$
Technical consulting	**40,119**	1,907	**40,119**	14,296
Technical consumables	**6,738**	(6,295)[1]	**6,882**	14,634
Research and development costs	**46,857**	(4,388)	**47,001**	28,930
Licence Fees	**-**	84,050	**-**	171,339
Research and development costs	**46,857**	79,662	**47,001**	200,269

[1]Reflects a reallocation of $12,492 to inventory.

14. Segmented information

Segments under development

As of late 2017, CO2 GRO's sole focus is commercializing its patent-protected CO_2 gas-infusion technology license and its patent-pending US PTO CO_2 foliar spray, both of which form the Company's Dissolved CO_2 plant-production platform. Prior to the 4th quarter of 2017, the Company was a producer and marketer of natural specialty shrimp and algal oil products that formed CO2 GRO's 3 other business platforms pursuant to a license agreement signed in October 2014.

(expressed in Canadian dollars)

As at	June 30, 2018	December 31, 2017
	$	$
Identifiable assets:		
Corporate	**591,144**	603,416
Shrimp oil	**1,202**	3,354
	592,346	606,770

	3 months ended		6 months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
	$	$	$	$
Income (loss) and comprehensive net loss:				
Algal oil	**12,368**	(9,843)	**-**	(24,735)
Corporate	**(203,947)**	(173,562)	**(544,149)**	(800,645)
Omega-3 tablets and gel-caps	**23,945**	5,364	**343**	(9,528)
Shrimp oil	**-**	(1,533)	**-**	(2,000)
	(167,634)	(179,594)	**(543,806)**	(836,908)
Cash provided from (used for) operations:				
Algal oil			**-**	7,961
Corporate			**(291,143)**	(780,603)
Omega-3 tablets and gel-caps			**343**	36,168
Shrimp oil			**-**	(2,000)
			(290,800)	(738,474)

Geographic segments

CO2 GRO operates in two geographic segments being Canada and the United States. As the Company is still ostensibly pre-revenue and in its development stage, most operations have been performed in Canada.

As at	June 30, 2018	December 31, 2017
	$	$
Identifiable assets:		
Canada	**591,144**	603,416
United States	**1,202**	3,354

(expressed in Canadian dollars)

	592,346	606,770

	3 months ended		6 months ended	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017
	$	$	**$**	$
Loss and comprehensive net loss:				
Canada	**(163,031)**	(173,330)	**(540,657)**	(832,098)
United States	**(4,603)**	(6,264)	**(3,149)**	(4,810)
	(167,634)	(179,594)	**(543,806)**	(836,908)

6 months ended	**June 30, 2018**	June 30, 2017
	$	$
Cash used for operations:		
Canada	**(287,651)**	(733,664)
United States	**(3,149)**	(4,810)
	(290,800)	(738,474)

15. Significant contracts and commitments

The Company previously obtained a licence (the "Licence") from Neptune Technologies & Bioressources Inc. to sell its shrimp oil globally. Pursuant to the Licence, the Company has an annual obligation to pay a minimum fee of US$250,000 which continues until the licence expires on December 16, 2024 or terminates (in which case a pro-rata payment equal to the annual amount multiplied by the number of months that have elapsed since the prior October 1st). Included in trade payable and accrued liabilities is $407,638 (2017-$407,638) owing to the licensor. Effective December 31, 2017 the Company has returned the Licence and no additional amounts are due thereunder.

16. Subsequent events

i) In July 2018, the Company issued a total of 16,667 shares with a fair value of $2,000, for management services provided by the Company's CFO.

ii) In July 2018, 200,000 broker warrants were exercised, raising proceeds of $23,000 for the Company.