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, 2018

April 30, 2019

CO2 GRO Inc.
(formerly BlueOcean NutraSciences Inc.)

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2018

*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 30,2019. The Annual MD&A of the operating results and financial condition of the Company as at and for the year ended December 31, 2018, 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, 2018 and 2017 (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 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 40 King Street West, Suite 5800, Toronto, Ontario, M5H 3S1.

These consolidated financial statements (the **"Consolidated Financial Statements"**) have been prepared using International Financial Reporting Standards (**"IFRS"**) applicable to 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.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors (The "Board") of the Company on April 26, 2019.

Corporate

Issuance of common shares during 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 warrants, respectively, were exercised raising $172,522 of proceeds for the Company. The fair value of $44,142 of the exercised warrants was transferred from reserved for warrants to common shares.

(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 common shares.

(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, were exercised 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 common shares.

(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 warrants, respectively, were exercised raising proceeds of $2,250 for the Company. The fair value of $26,300 of the exercised options was transferred from contributed surplus to common shares.

(v) In February through December 2018, the Company issued a total of 154,315 shares with a fair value of $22,000, for management services provided by the Company's CFO. See note 13 of the Consolidated Financial Statements. The fair value of these shares was estimated based on the quoted share price of the shares on the last trading day of the month previous to issue.

(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 common shares.

(vii) In July through September 2018, 407,142 options with exercise prices of $0.135 (for 250,000 options) and $0.14 (for 157,142 options), were exercised, raising a total of $55,750. The fair value of $42,317 of the exercised options was transferred from contributed surplus to common shares.

(viii) In July through September 2018, 1,160,552 warrants with exercise prices ranging from $0.115 to $0.20, were exercised raising proceeds of $201,781. The fair value of $47,726 of the exercised warrants was transferred from warrants to common shares.

(ix) In August 2018, a total 12,989,199 (representing the Shares to be issued to management – see "shares to be issued" section of this MD&A), were issued.

(x) In October through December 2018, 7,094,597 warrants and finders' warrants with exercise prices ranging from $0.115 to $0.20, were exercised raising gross proceeds of $1,364,829. The fair value of $357,894 of the exercised warrants was transferred from warrants to common shares.

2017:

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) 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 of the Consolidated Financial Statements).

(xv) 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

In December 2018, the Company incurred consulting fees to its Chief Financial Officer that were to be paid, in part, with the issuance of shares. The fair value of $2,000 has been recorded to 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 (the "**Management Shares**") and valued at $3,247,300. In August 2018, these Management Shares were issued and the fair value of $3,247,000 was transferred from shares to be issued to common shares. See note 12.

Warrant activity for 2018 and 2017

The outstanding issued warrants balance as at December 31, 2018 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price $	Fair value $
December 14, 2019	Finders' Warrants	400,000	0.08	34,000
December 14, 2019	Corporate Finance Warrants	112,500	0.08	9,500
December 19, 2019	Corporate Finance Warrants	37,500	0.08	3,000
December 14, 2022	Warrants	5,375,000	0.12	215,000
December 19, 2022	Warrants	1,775,000	0.12	71,000
Cash costs allocated to warrants		-	-	(28,039)
Total		**7,700,000**		**304,461**

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

	December 31, 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	**(0.192)**	**(9,847,247)**	(0.115)	(131,900)
Expired	**(0.20)**	**(13,944,799)**	(1.460)	(540,250)
Outstanding at end of year	**0.117**	**7,700,000**	0.181	31,492,046

Option activity for 2018 and 2017

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

	December 31, 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	**0.21**	**1,779,000**	0.14	2,261,506
Exercised	**(0.21)**	**(571,538)**	(0.14)	(110,000)
Forfeit	**(0.15)**	**(729,500)**		(69,027)
Outstanding at end of year	**0.18**	**3,149,197**	0.14	2,671,235
Exercisable at end of year	**0.18**	**3,049,197**	0.14	2,421,235

The following table provides additional information about outstanding stock options at December 31, 2018:

Exercise Prices	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price ($)**
$0.10 to $0.15	1,104,364	3.0	0.14
$0.155 to $0.20	1,819,833	4.0	0.19

$0.205 to $0.35	225,000	0.6	0.35
Outstanding	**3,149,197**	**3.4**	**0.18**
Exercisable	**3,049,197**	**3.4**	**0.18**

As at December 31, 2018, 3,159,569 (2017 - 1,281,302) options are available for issuance under the Plan.

Secured loan and shares for debt (2017)

i) Shares for debt

In June 2017, the Company was advised by a debtholder that it had assigned $321,000 of a $647,700 debt (the "**Onerous Contract**") to arm's length parties that subsequently agreed to settle the assigned portion of 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 $209,347. 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 $111,653.

ii) Secured loan

In June 2017, the Company converted the remainder of the unsecured Onerous Contract 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 had a term of 3 years and boar 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 years ended December 31, 2018, the Company has incurred $7,192 (2017 - $nil), of cash interest paid on the loan and $6,666 of non-cash, straight-line interest income (2017 – interest expense of $6,666). In October 2018, the Company repaid the Secured Loan plus accrued interest of $2,191.

Activity after the date of the consolidated financial statements

i. In April 2019, the Company was notified by Neptune (note 15) that it had transferred the outstanding amount owed to it by the Company, to an insider of the Company. Subsequent to the transfer, the Company issued 471,298 common shares with a deemed value of $125,000 in settlement of the debt.

ii. In January 2019, the Company issued 10,695 common shares with a fair value of $2,000 to its CFO in partial payment of management fees.

iii. In January 2019, the Company's CFO exercised 150,000 options, raising proceeds of $28,500 for the Company.

iv. During January through March 2019, 2,725,000 warrants with each with an exercise price of $0.12, were exercised, raising proceeds of $327,000.

v. During January through March 2019, 125,000 corporate finance warrants each with an exercise price of $0.08, were exercised, raising proceeds of $10,000.

vi. In February 2019, the Company issued 2,005,000 options with a 2-year maturity, exercise price of $0.22 and varying vesting periods.

Selected annual financial information

	December 31, 2018	December 31, 2017
	$	$
Consolidated statements of operations and comprehensive loss		
Revenue	**3,578**	19,516
Total operating expenses	**(1,299,573)**	(5,063,517)
Loss and comprehensive loss	**(1,296,520)**	(4,837,795)
Basic and diluted loss per common share	**(0.027)**	(0.158)
Consolidated statements of cash flow		
Cash used for operations	**(1,092,508)**	(787,525)
Cash provided from financing activities	**1,843,353**	574,169
Increase/(decrease) in cash	**750,845**	(213,356)
Consolidated statements of financial position		
Cash	**1,319,812**	568,967
Total assets	**1,533,808**	606,620
Shareholders' equity (deficiency)	**577,930**	(373,861)
Average number of common shares outstanding	**48,264,849**	30,697,981

Financial condition

As at December 31, 2018, the Company had assets totaling $1,533,808 and shareholders' equity of $577,930. This compares with assets of $606,770 and shareholders' deficiency of $373,861, as at December 31, 2017.

During the year ended December 31, 2018, the Company's net assets increased by $951,792, the result of an increase in assets of $927,038, supplemented by a decrease in liabilities of $24,753.

The change in the Company's net assets is detailed as follows:

Item	Change	Explanation of change
	$	
Cash	750,845	Increase resulting from cash used for operating activities of $1,092,508 plus cash provided from financing activities of $1,843,353.
Sales taxes recoverable	168,368	Increase in HST ITC's mainly the result of amounts paid on shares issued to the Management Group.
Prepaid expenses	7,825	Increase reflects prepayment of consulting fees at year end.
Accounts payable and accrued liabilities	(41,093)	Increase due to normal course activity during 2018.
Due to related parties	(140,819)	Increase due to advances from related parties of $176,832 less repayments to related parties of $36,013.
Straight-line interest payable	6,666	Decrease resulting from reversal on non-cash interest on straight-line amortization of secured loan interest
Secured loan	200,000	Decrease resulting from loan repayment during 2018
	951,792	

Results of operations

The Company has generated only nominal operating revenue and therefore losses have been incurred throughout the year ended December 31, 2018.

Year ended December 31, 2018 and December 31, 2017

Loss and comprehensive loss for the year was $1,296,520 (2017 – $4,837,795) or $0.03 (2016 – $0.16) loss per share. Operating costs decreased by $3,763,944 from 2017, mainly the result of share-based compensation accrued for the bonus in 2017. The significant changes are detailed below:

Operating loss of $1,299,573 *(2017 - $5,063,517)*

Administration of $138,135 (2017 - $184,480)

The decrease of approximately $46,000 was mainly the result of decreased marketing and advertising costs of approximately $104,000, offset by increases in travel expenses of approximately $58,000.

Compensation of $nil (2017 - $169,077)

The entire decrease of approximately $169,000, results from the Management Group continuing to take zero salary prior to the Company achieving cash-flow-positive status.

Consulting fees of $120,255 (2017 - $192,657)

The decrease of approximately $73,000 resulted mainly from management fees for operations of the Company's subsidiary, Pure Polar Labs, Inc., which were not incurred during 2018.

Investor relations and public reporting costs of $477,141 (2017 – $288,806)

The increase of approximately $188,000, was the result of capital market support expenses of approximately $350,000, not incurred during 2017, supplemented by increases in transfer agent, TSXV and OTC costs of approximately $48,000. These increases were offset by reductions in investor relations costs of approximately $210,000.

License fee of $- (2017 – $327,746)

Effective December 31, 2017 the Company has returned the Licence and no additional amounts are due thereunder.

Professional fees of $133,754 (2017 – $60,494)

The increase of approximately $74,000 was due largely to increased legal fees of $67,000, as the Company had several complex filings (such as the issuance of the Management Shares) during 2018.

Research and development of $133,272 (2017 – $342,690)

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

Share-based compensation of $321,777 (2017 – $3,495,283)

The decrease of approximately $3,439,000, reflects both an increase to the options vesting throughout 2017 (decrease 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, loss of $525 (2017 – gain of $206,206)

Gain on conversion of onerous contract of $nil (2017 – $213,249)

The gain in 2017, 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 $111,653 (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.

Summary of quarterly results

	4th Quarter 2018	3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018
Total revenues	1,765	1,470	245	98
Income (loss) and comprehensive loss	(507,421)	(245,293)	(167,634)	(376,172)
Net loss per share – basic and fully-diluted[1]	(0.01)	(0.01)	(0.00)	(0.01)
Total assets	1,533,808	803,788	592,346	707,758
Long-term debt	-	(200,000)	(200,000)	(200,000)
Equity (deficiency)	577,930	(291,112)	(343,746)	(218,984)
Cash dividends declared per common share	-	-	-	-

	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017	1st Quarter 2017
Total revenues (returns)	2,852	1,457	19,897	(4,690)
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)	-
Deficiency	(373,862)	(540,180)	(245,776)	(365,075)
Cash dividends declared per common share	-	-	-	-

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

Liquidity and capital resources

As at December 31, 2018, the Company had a working capital of $577,930 (December 31, 2017 – working capital deficit of $167,195) 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'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, 2018 or 2017. The Company is not subject to externally imposed capital restrictions.

Transactions with related parties

Year ended December 31, 2018 and December 31, 2017

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.

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 chief operating officer. Related-party transactions are detailed below:

	Year ended	
	December 31, 2018	December 31, 2017
Transactions:	**$**	$
Compensation	**-**	157,906
Consulting fees	**90,792**	140,130
Legal fees	**-**	18,367
Share-based payments	**286,800**	3,470,300

As at December 31, 2018, $280,696 (December 31, 2017 - $139,877) is owed to officers or directors of the Company or entities controlled by them. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

During 2018, the Company issued (or will issue) 165,010 (2017 – nil) common shares with a fair value of $24,000 (2017 - $nil), in partial payment of management fees to its CFO. See note 12.

During 2018, the Company's CFO (or a company controlled by him) exercised 15,000 options and 137,608 warrants (2017 – 110,000 options), raising gross proceeds for the Company of $29,772 (2017 - $15,000).

Adoption of new standards

During the year ended December 31, 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2 and IFRIC 22. These new standards and changes did not have any material impact on the Company's financial statements.

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers,* which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

IFRS 9, *Financial Instruments*

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

Upon adoption of IFRS 9, the two main changes in the Company's accounting policy on financial instruments are: i) equity investments previously classified as available-for-sale are now classified as financial assets measured at FVOCI and ii) derivative instruments previously held for trading now qualify for hedge accounting, including the Company's commodity swap and option contracts, to the extent they comply with the IFRS 9 criteria for hedge accounting.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Financial liabilities		
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Secured loan	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39. See significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces IAS 11, Construction contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and Standard Interpretations Committee interpretation 31, Revenue – Barter Transactions Involving Advertising Services.

Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

The adoption of IFRS 15 did not have a material impact on the Company's financial statements.

The Company adopted IFRS 15 retrospectively without restating comparatives and therefore the comparative information in respect of revenue for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 18. There are no significant differences in the current and previous accounting policies pertaining to revenue recognition.

Significant accounting policies

A summary of the company significant accounting policies are detailed in note 4 of the Consolidated Financial Statements.

Risks and uncertainties

Financial instruments and risk management

As at December 31, the Company held the following financial instruments:

	2018	2017
	$	$
Financial assets		
Cash	**1,319,812**	568,967
Financial liabilities		
Accounts payable and accrued liabilities	**675,182**	634,089
Due to related parties	**280,696**	139,877
	958,878	773,966

The carrying and fair values of these financial instruments are approximately equivalent because of the short-term nature of these instruments.

Basis of fair values

Assets and liabilities recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company treats its cash and restricted cash as Level 1 financial assets and does not have any Level 2 or Level 3 financial assets or liabilities.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no significant transfers between levels during the year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at December 31, 2018, the Company had $955,878 (2017 - $773,966) of liabilities with a maturity of one year or less and working capital of $577,930 (2017 – working capital deficiency of $167,195). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis.

Credit risk

The Company is not currently exposed to any significant credit risk and other price risk.

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).

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 gains during the year ended December 31, 2018 of $24,761 (2017 – losses of $2,284).

As at December 31, 2018, the Company's exposure to foreign currency balances is as follows:

		Exposure ($Cdn)	
Account	**Foreign currency**	**December 31, 2018**	December 31, 2017
Cash	US dollar	**791,802**	3,575
Accounts payable and accrued liabilities	US dollar	**(39,045)**	(15,146)
		75,277	(11,571)

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net income for the year by approximately $7,530 (2017 – $1,160).

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

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	
	December 31, 2018	December 31, 2017
	$	$
Technical consulting	**106,743**	76,290
Technical consumables	**26,529**	266,400
Research and development costs	**133,272**	342,690

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at April 30, 2019:

	Number
Common shares	67,179,306
Options	4,510,749
Warrants	4,262,500
Finders' and Corporate Finance Warrants	300,000