CO2 GRO Inc.

Annual Management's Discussion and Analysis

of the Financial Condition and Results of Operations

Year ended December 31, 2020

April 28, 2021

CO2 GRO Inc.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2020

*This annual management discussion and analysis ("**MD&A**") has been prepared based on information available to CO2 GRO Inc. ("**CO2 GRO**" or the "**Company**") as at April 28,2021. The Annual MD&A of the operating results and financial condition of the Company as at and for the year ended December 31, 2020, 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, 2020 and 2019 (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.co2gro.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. The Company trades on the TSX Venture Exchange ("**TSXV**") under the trading symbol "**GROW**", on the US OTCQB market under the symbol "**BLONF**" and on the Frankfurt Stock Exchange under the symbol "**4O21**".

Dissolved CO_2 plant-enrichment platform: CO2 GRO's sole focus is commercializing its patent-licensed CO2 gas infusion technology and its patent-pending US PTO CO2 Delivery Solutions system ("**Delivery Solutions^{TM}**"), both of which form the Company's saturated CO2 solution plant platform.

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

The 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, 2021.

Any reference in this MD&A to "**notes**" are to the corresponding notes in the Consolidated Financial Statements.

The Company and our business

The Company's patent protected **CO2 Delivery Solutions^{TM}** is the first major efficiency improvement in CO_2 gas delivery to indoor and protected plant growers in decades. Benefits of using the Company's saturated CO_2 misting technology include larger plant yields, faster cycle times for more harvests per year, very low CO_2 gas usage and power operating costs to run pumps for seconds per hour and natural pathogen protection from misting related pH fluctuations. All of these benefits add to customer profitability.

Our Mission is precisely delivering carbon to enhance plant growth and productivity sustainably while reducing our Partners' carbon footprints. CO2 Delivery Solutions™ technology enables all greenhouse and protected facility growers worldwide to achieve up to 30% value increases, easily maximizing revenue and profits and suppressing the development of pathogens such as *E.coli* and powdery mildew producing healthier crops and reducing crop losses, all in an environmentally friendly and sustainable manner.

Worldwide there are two distinct markets we believe can realize significant benefits from employing CO2 Delivery Solutions™ technology. They are one, the 50 billion square feet of greenhouses, 85% or 42.5 billion square feet which cannot gas with CO_2, and two, the approximate 550 billion square feet of open sided facilities that cannot CO_2, gas. These are GROW's target markets. Announced commercial feasibility systems have been installed at greenhouses in the US, Canada, El Salvador, and the UAE.

Approximately 85% or 42.5 billion square feet of the world's 50 billion square feet of greenhouses are not economically able to use CO_2 gassing. They are typically located in hotter countries like in the Middle East, Southern Europe, Asia, South America, the Southern U.S. and climates where warmer spring, summer and early fall months lead to excess indoor heat that has to be constantly vented. This venting process eliminates CO_2 gassing as the CO_2, would be constantly vented along with the warmer air. These greenhouses, along with open side facilities (semi-enclosed shade houses, hoop houses and other indoor horizontal and vertical grow facilities) that cannot gas with CO_2 are our primary target customers. Of the 15% or 7.5 billion square feet of greenhouses that do CO_2 gas, many have to vent during the warmer spring, summer and fall months to maintain temperatures that support good growing conditions. Unfortunately, during these months, productivity declines due to CO_2 gas being lost. We can help these growers using CO_2 gas attain the same up to 30% yield improvements during these months while employing 95% less CO_2 gas doing so.

The approximate 550 billion square feet of open side facilities which are defined as any type of method or structure used to extend the growing season of plants or more simply covered overhead structures with open sides or retractable sides. None of these facilities can CO_2 gas and are more exposed to pathogens. Our CO2 Delivery Solutions™ can also provide plant value increases of up to 30% to them while producing healthier crops and reducing crop losses. Of that, a significant portion can benefit from the use of our GROW's CO2 Delivery Solutions™.

Environmental Social and Governance principles (ESG)

CO2 GRO's Environment, Social and Governance ("**ESG**") practices are a Sustainability Platform with a Planet, People and Profits focus. CO2 GRO addresses ESG as a strategic element of value creation and sustainability in our Corporate Value Proposition, now and in the future. We are committed to promoting and maintaining diversity, equality and inclusiveness in our workplace as well as a safe and healthy workplace.

CO2 GRO is committed to ensuring our technology enhances global food production by up to 30%. Where current vegetable or fruit production is limited, CO2 GRO's CO2 Delivery Solutions™ technology can increase yields and provide plant perimeter protection helping to grow food locally, minimizing supply chain transportation and landfill waste due to spoilage in transit.

CO2 GRO's Executive and the Board are committed to diversity and inclusion in its role in delivering enhanced shareholder value, short and long term. In addition, the Executive and Board is also committed to transparency and prudent management of CO2 GRO as the Company grows.

Studies have shown that organizations with diverse management, Board composition and employees collectively deliver better performance generating enhanced shareholder value in the long term. Purposeful companies, with better environmental, social and governance (ESG) practices have outperformed their peers.

Operational updates

During 2020 we began to achieve greater momentum in business development and initial sales. We achieved three additional marketing partners, 25 commercial feasibilities of which 17 were converted to sales. The marketing partners engaged are Greenmist Ltd. in Israel, Rika Biofuels Developments Ltd. of the UK, covering the UK, the Netherlands and Brussels and PharmaCrop Pty. Ltd. in South Africa. Each has brought forward commercial feasibilities within their respective countries starting in mid-2020 and extending into the first quarter of 2021. In addition, a relationship with a leading global industrial gas supplier resulted in a commercial feasibility on roses in Columbia. Commercial feasibilities were initiated on a variety of crops including *Cannabis*, hemp, lettuce, roses, orchids, strawberry's, leafy greens and peppers. The Company continues to pursue other Industrial Agriculture Partners and independent U.S., Canadian and international greenhouse consultants to represent its CO2 Delivery Solutions™ systems in the greenhouse and open side facility marketplace. Particular focus is placed on countries with the largest greenhouse square footage in operation. This includes Spain, Japan and Mexico. Of particular note was a significant strategic investment of CAD$1.2M by Ospraie Ag Sciences LLC ("Ospraie") strategic investors in Ag-tech companies. In addition, Tom Wiltrout of Ospraie joined CO2 GRO's Board of Directors.

Canada

Commercial feasibilities were signed at two Cannabis micro cultivators (names withheld as part of non-disclosure agreements) and Canbud Distribution Corporation. In addition, we sold three CO2 Delivery Solutions™ to Canadian licensed micro-cultivators based only on our scientific data and customer referrals.

United States

In 2020 good progress was made in securing both commercial feasibilities and sales. 19 commercial feasibilities were engaged of which 15 were at hemp facilities and four were at facilities growing various crops including strawberries and microgreens. In October, the sale of 15 CO2 Delivery Solutions™ to Missouri hemp growers was announced. The additional four are:

In Michigan at Sunshine Lands LLC's 30,000 square feet of greenhouses. See news release dated May 8, 2020.

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

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

In Iowa with Dan & Jerry DeJong's Greenhouses a commercial feasibility at an 11,500 square foot strawberry facility to evaluate faster fruit harvests, increased yields per harvest, protection against the spread of micro pathogens and CO_2 usage. Dan & Jerry's Greenhouses own 1.57 million square feet of US greenhouses in four locations. See news release dated August 26, 2020.

International

Our progress in international business development has been significant over the course of 2020. We achieved three marketing partner agreements with Greenmist Ltd. in Israel, Rika Biofuels Developments Ltd. covering the UK, the Netherlands and Brussels and PharmaCrop Pty. Ltd. in South Africa. Each has brought potential customers to CO2 GRO with commercial feasibilities announced in 2021. A leading industrial gas supplier introduced a rose grower in Columba which led to the signing of a commercial feasibility. Through a relationship with a Board member an introduction was made with a major pepper grower in El Salvador, resulting in a one-year commercial feasibility. International commercial feasibilities underway or signed will be conducted on lettuce, roses, strawberries, tomatoes, peppers, macadamia tree seedlings, medical plants and cannabis.

The Company installed its first commercial feasibility system with Gulf Cryo Holding Group ("**Gulf Cryo**"), a major Middle East industrial gas producer, at a 75,000 square foot UAE lettuce greenhouse and met with other potential customers. Gulf Cryo is representing the Company's technology for an initial two-year period in six Middle East countries plus Egypt and Turkey. See news release dated April 22, 2020.

In Columbia at a large rose greenhouse operator. The greenhouse operator was introduced to CO2 GRO by a leading global industrial gas supplier. See news release date June 24, 2020.

In El Salvador at a HidroExpo S.A. de C.V.'s ("**HidroExpo**") pepper greenhouse commercial feasibility (in one of their thirty-six 107,000 square foot greenhouses) to evaluate faster time to harvest, increased yield per harvest protection against the spread on micro pathogens and CO_2 usage. Lipman Family Farms, a significant U.S. buyer of HidroExpo's pepper crops referred HidroExpo to CO2 GRO Inc. See news release dated August 26, 2020.

Strategic Investor

In 2020 Ospraie Ag Sciences LLC, a leading AG-tech strategic investor, participated in a fully subscribed non-brokered financing conducted by CO2 GRO. Of the CDN$1.38M raised, Ospraie subscribed for CDN$1.2M. In addition, Tom Wiltrout of Ospraie joined CO2 GRO's Board bringing significant Ag industry experience and relationships. We are very proud to have Ospraie as strategic investors and are seeing the benefits of their support.

Commercial feasibility update

At the reporting date, the Company has 12 commercial feasibilities signed or underway. This number declined by 15 due to the conversion of 15 commercial feasibilities at hemp greenhouses in Missouri to sales.

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

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

The Sunshine Lands LLC's 30,000 square foot greenhouse area in Michigan has completed one grow cycle. The customer requested a delay to the start of the second grow cycle while they develop a research and development protocol that will incorporate the commercial feasibility.

The Canbud Distribution commercial feasibility was completed after a three-month period with good results and the customer pleased with the outcome. Due to COVID-19's impact on the market for hemp the customer has asked to delay a purchase to 2021.

The Colombia rose commercial feasibility is now delayed to the summer of 2021. Originally it was delayed due obtaining Colombian Customs clearance. The customer wishes to conduct the commercial feasibility in the summer months.

The Florida leafy greens commercial feasibility has completed one grow cycle with the customer happy with the results. They have requested a delay in the commercial feasibility while they address internal crop scheduling matters.

The Strong Agronomy commercial feasibility was originally delayed due to California wild fires and related poor light conditions. The commercial feasibility is now scheduled to start in the summer of 2021.

The HidroExpo pepper commercial feasibility continues to perform well with the customer pleased with the results. It is scheduled to complete in June of 2021 with discussions concerning purchase to start soon after.

The Iowa strawberry commercial feasibility has completed its first grow cycle with a second grow cycle scheduled for the summer months.

To-date in 2021, new commercial feasibilities for CO2 Delivery Solutions™ systems were announced with Canadian, Netherlands, French, South African and Israeli greenhouse and protected facility growers. Commercial feasibilities are a critical first step in CO2 GRO's sales process where larger potential customers can evaluate the value impact of CO2 Delivery Solutions™ on their commercially grown plants prior to full commercial installation sales.

In January 2021, Canada's Trade Commissioners for Mexico selected the Company as one of eleven Canadian Ag-Tech Companies for introductions to major Mexican growers, associations, and potential distributors and partners to enter the Mexican agriculture technology market.

CO2 GRO is in discussions with various irrigation, misting, CO_2 gas supply and greenhouse manufacturing, lighting, products and service companies to broaden the marketing and selling of its CO2 Delivery Solutions™ to their customers.

During 2020, the Company was honored with the following awards:

1. Chicago based Sente Foundry LLC ("**Sente**"), in partnership with GrowRay Lighting Technologies and Nobo selected the Company to participate in their Indoor AgTech program that took place virtually through December 2020. Sente's Indoor AgTech program connected the participants with indoor and greenhouse customers.

2. Selected as one of four finalists out of sixty-five entries that got to present at the first annual Hemp Innovation Challenge at the World Ag Expo in Tulare, California.

3. Qualified to Exhibit at the 2020 AGRI-Tech Venture Forum Canada Conference.

These independent awards are bolstering 2021 sales efforts with potential customers as well as increasing the awareness of CO2 GRO's technology.

COVID-19 Discussion

The travel-related and physical distancing restrictions imposed by COVID-19 have partially affected the Company's pace of developments. It has negatively affected some of our prospective customers' plans and timing to adopt our technology as they struggle with their particular constraints in their own markets and the effects of COVID on their workforce. Our existing and potential customer base is fairly labor sensitive. Travel restrictions do present challenges but the use of Microsoft Teams, Zoom and other communication platforms have allowed us to do a lot of virtual global travel to meet with potential customers, partners, government officials, associations and present as virtual exhibitors.

As shown by commercial feasibility announcements and installations in North America, the UAE and El Salvador new marketing partnerships in the UAE, the UK, Belgium and the Netherlands and South Africa material commercial progress is being made. Current commercial feasibility installations outside of Canada are conducted by local contractors with remote supervision by management. While COVID-19 has presented some challenges to the advancement of the Company, to-date management has managed to implement workarounds and will continue to seek alternative paths to business development in jurisdictions outside of Canada.

Corporate

Government loans and grants

Federal Government of Canada emergency assistance

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

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA Loan at $27,002, using a discount rate of 15%, which was the estimated rate for a similar loan without the interest-free component. The difference of $12,998 will be accreted to the loan liability over the term of the CEBA Loan and offset to other income on the statements of loss and comprehensive loss. Early repayment of the CEBA loan, resulted in a reduction to the grant component of $611 and a total grant of $12,387, with such amount recorded in the statements of loss and comprehensive loss.

Ontario Agri-Food Technologies ("OAFT")

In April 2020, the Company received an OAFT grant in the amount of $15,000. The grant was provided by OAFT as reimbursement of 75% of the costs expended (to a maximum of $15,000) for the Company's registered participation at The Global Forum for Innovation in Agriculture, held in the United Arab Emirates. The loan has been recorded as an offset to administrative costs on the statements of loss and comprehensive loss.

Common share activity to-date in 2021:

(i) During the period from January 1, 2021 through the date of this MD&A, 1,144,019 shares were issued upon the exercise of options and 3,850,000 upon the exercise of warrants (the "**Exercises**"). The Exercises raised $709,000 in proceeds. See note 22.

Common share activity during 2020:

(ii) In September 2020, the Company completed a private placement (the "**Financing**") of 11,498,695 units (each a "**Unit**") at $0.12 per Unit, raising proceeds of $1,379,844. Each Unit comprised one common share and one common share purchase warrant (each a "**Warrant**"). Each Warrant is exercisable at $0.15 until February 12, 2022, into one common share.

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

Common share activity during 2019:

(iii) In January 2019, 500,000 warrants each with an exercise price of $0.12 and an expiry date of December 14, 2022, were exercised raising $60,000 of proceeds for the Company. The fair value of $20,000 of the exercised warrants was transferred from reserve for warrants to common shares.

(iv) In January 2019, 150,000 options each with an exercise price of $0.19 and an expiry date of January 24, 2023, were exercised by key management (note 14) raising proceeds of $28,500. The fair value of $28,526 was transferred from contributed surplus to common shares.

(v) In January 2019, 10,695 shares with a fair value of $2,000, were issued for December 2018 management services provided by the Company's CFO. The fair value was transferred from shares to be issued to common shares.

(vi) In February 2019, 1,387,500 warrants each with an exercise price of $0.12 and an expiry date of December 14, 2022, were exercised raising $166,500. The fair value of $55,500 was transferred from contributed surplus to common shares.

(vii) In March 2019, 1,300,000 warrants each with an exercise price of $0.12 and expiry dates of December 14, 2022 and December 19, 2022 for 987,500 and 312,500 warrants, respectively, were exercised raising $156,000. The fair value of $52,000 was transferred from reserve for warrants to common shares.

(viii) In March 2019, 250,000 finders and corporate finance warrants, each with an exercise price of $0.08 and expiry dates of December 14, 2019 and December 19, 2019 for 212,500 and 37,500 warrants respectively, were exercised raising proceeds of $20,000. The fair value of $21,000 was transferred from reserve for warrants to common shares.

(ix) In March 2019, 335,555 options (150,000 by key management, note 14) with exercise prices between $0.135 and 0.22 and expiry dates between February 15, 2020 and October 1, 2024, were exercised raising proceeds of $59,750. The fair value of $107,490 was transferred from contributed surplus to common shares.

(x) In April 2019, 157,894 options (7,894 by key management, note 14) were exercised raising $24,000. The fair value of $87,241 for the exercised options, was transferred from contributed surplus to share capital.

(xi) In May 2019, 471,698 common shares with a fair value of $125,000, were issued in settlement of related party debt. Pursuant to IFRIC 19.6, the gain on the settlement of $282,635 was recognized as an increase to the capital of the Company.

(xii) In September 2019, 70,000 options were exercised raising $9,450. The fair value of $5,896 for the exercised options, was transferred from contributed surplus to share capital.

(xiii) In October 2019, 96,000 options were exercised raising proceeds of $17,250. Concurrently with the exercise, the fair value of the exercised options of $12,723, was transferred from contributed surplus to common shares.

(xiv) In October 2019, 300,000 warrants were exercised raising proceeds of $24,000. Concurrently with the exercise, the fair value of the exercised warrants of $25,500, was transferred from reserve for warrants to

Warrant activity for 2020 and 2019

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

	December 31, 2020		December 31, 2019	
	Weighted Average Exercise Price	**Number of Warrants**	Weighted Average Exercise Price	Number of Warrants
	$		$	
Outstanding at beginning of year	**0.12**	**3,962,500**	0.12	7,700,000
Transactions during the year:				
Issued	**0.15**	**11,498,695**		
Exercised	**-**	**-**	(0.11)	(3,737,500)

Outstanding at end of year	**0.14**	**15,461,195**	0.12	3,962,500

The outstanding issued warrants balance as at December 31, 2020 is comprised of the following items:

Date of expiry	**Type**	**Number of warrants**	**Exercise price $**	**Fair value $**
February 12, 2022	Warrants	11,498,695	0.15	491,532
December 14, 2022	Warrants	3,887,500	0.12	100,000
December 19, 2022	Warrants	75,000	0.12	58,500
Cash costs allocated to warrants				(28,039)
Total		**15,461,195**	**0.14**	**621,993**

During the period from January 1, 2021 through the date of this MD&A, 3,850,000 warrants with expiry date of December 14, 2022, were exercised, raising proceeds of $462,000. See note 22 and the ***Common share activity to-date in 2021*** section of this MD&A.

Option activity for 2020 and 2019

The Company has 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. As at December 31, 2020, 1,185,972 (2019 – 2,456,103) options are available for issuance under the Plan.

Continuity of the Company's outstanding and exercisable options follows:

	December 31, 2020		December 31, 2019	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
	$		$	
Outstanding at beginning of year	**0.19**	**4,035,598**	0.18	3,149,198
Transactions during the year:				
Granted	**0.22**	**2,445,000**	0.22	2,240,849
Exercised	**-**	**-**	(0.17)	(809,449)
Expired	**(0.22)**	**(25,000)**	(0.35)	(225,000)
Outstanding at end of year	**0.19**	**6,775,598**	0.20	4,355,598
Exercisable at end of year	**0.19**	**6,225,598**	0.19	4,035,598

The following table provides additional information about outstanding stock options at December 31, 2020:

Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)
$0.10 to $0.15	2,131,143	1.9	0.15
$0.15 to $0.195	2,608,606	2.0	0.19
$0.20 to $0.350	2,035,849	0.1	0.23
Outstanding	**6,775,598**	**1.4**	**0.19**
Exercisable	**6,225,598**	**1.3**	**0.19**

The Black-Scholes option pricing model was used to estimate the fair value of the issued options. The weighted average assumptions used for the options issued in 2020, were as follows: risk-free interest rate of 0.63%; expected volatility of 134.1%; expected life of 2.9 years; expected dividends of $nil and weighted average common share price of $0.14. The grant-date fair value of the options issued in 2020 is $192,000.

The Black-Scholes option pricing model was used to estimate the fair value of the 2019 issued options. The weighted average assumptions used for the options issued in 2019, were as follows: risk-free interest rate of 1.75%; expected volatility of 152.28%; expected life of 1.9 years; expected dividends of $nil and weighted average common share price of $0.24. The grant-date fair value of the options issued in 2019 is $377,000. All options issued in 2019, vested in 2019 except for 320,000, which will vest when certain operational milestones have been met. These milestones were not met as at December 31, 2019.

During the period from January 1, 2021 through the date of this MD&A, 1,081,161 options with expiry date of February 15, 2021 and exercise price of $0.22 each together with 62,858 options with expiry date of January 2, 2022 and exercise price of $0.14 each, were exercised, raising proceeds of $247,000. See note 22 and the ***Common share activity to-date in 2021*** section of this MD&A.

Significant accounting policies and adoption of new standards

The Company's significant accounting policies are detailed in note 4 of the Consolidated Financial Statements.

The following details newly-issued or revised standards during 2020, for which the Company is assessing the effects on its consolidated financial statements:

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 the amendments to IFRS 10, is yet to be determined, however early adoption is permitted. The Company has not yet adopted this standard.

IAS 1 – Presentation of Financial Statements ("**IAS 1**"). In January 2020, the classification of liabilities as current or non-current was amended. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, retrospectively in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors. The Company has not yet adopted this amendment.

Selected annual financial information

	December 31, 2020	December 31, 2019	December 31, 2018
	$	$	$
Consolidated statements of operations and comprehensive loss			
Revenue	**91,248**	11,137	3,578
Total operating expenses	**(890,221)**	(1,431,288)	(1,299,573)
Loss and comprehensive loss	**(994,435)**	(1,474,021)	(1,296,520)
Basic and diluted loss per common share	**(0.014)**	(0.022)	(0.027)
Consolidated statements of cash flow			
Cash used for operations	**(667,454)**	(1,271,726)	(1,092,508)
Cash used for investing activities	**(90,057)**	(32,143)	-
Cash provided from financing activities	**1,264,502**	422,486	1,843,353
Increase/(decrease) in cash	**506,991**	(881,384)	750,845
Consolidated statements of financial position			
Cash	**945,419**	438,428	1,319,812
Total assets	**1,212,990**	707,341	1,533,808
Shareholders' equity	**1,021,496**	400,035	577,930
Average number of common shares outstanding	**72,578,247**	66,892,173	48,264,849

Financial condition

As at December 31, 2020, the Company had assets totaling $1,330,205 and shareholders' equity of $1,021,496. This compares with assets of $707,341 and shareholders' equity of $400,035, as at December 31, 2019.

During the year ended December 31, 2020, the Company's net assets increased by $621,461, the result of an increase in assets of $622,864, offset by an increase in liabilities of $1,403.

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

Item	**Change Fav/(Unfav)**	**Explanation of change**
	$	
Cash	506,991	Increase in cash provided from financing activities of $1,264,502 less cash used for operating activities of $667,445 less cash used for investing activities of $90,056.
Account receivable	(7,193)	Gross decrease in receivables of $8,850 offset by change in expected credit losses of $1,657 (see note 8).
Prepaid expenses	36,685	Increase reflects prepayment of shareholder reporting costs and legal fees at year end (see note 9).
Inventory	(14,053)	Change in inventory is the result of purchases of $186,137 less amounts transferred to cost of goods sold of $200,190.

Sales taxes recoverable	13,519	Increase in HST is the result of normal increased business activities.
Intangible assets	86,915	The increase are patent expenditures of $90,057 less amortization of $3,142.
Decrease in assets	**622,864**	
Accounts payable and accrued liabilities	(132,295)	Increase is due to normal-course activity during 2020.
Due to related parties	137,733	Decrease due to advances from related parties of $29,721 less repayments to related parties of $164,958.
Deferred revenue	(4,345)	The increase entirely from 2020 activity (see note 4.14).
Increase in liabilities	**(1,403)**	
	621,461	

Results of operations

The Company has generated only nominal operating revenue and therefore losses have been incurred throughout the year ended December 31, 2020.

Year ended December 31, 2020 and December 31, 2019

Loss and comprehensive loss for the year was $994,435 (2019 – $1,474,021) or $0.01 (2019 – $0.02) loss per share, a decreased loss of $479,586 from 2019. Gross margin decreased by $6,600 over 2019, the result of revenues increasing by $80,111, offset by cost of goods sold increasing by $86,711. Operating costs decreased by $541,067 from 2019 and other income decreased by $54,881 from 2019.

The significant changes are detailed below:

Gross margin of $(108,942) **(2019 - $(102,342))**

The Company recorded the revenues of $91,247 (2019 - $11,138) on its feasibility projects utilizing its Delivery Solutions™, offset by cost of goods sold of $200,190 (2019 - $113,479). Revenues for 2019 were from its first four pilot projects.

Operating expenses of $890,221 *(2019 - $1,431,288)*

Administration of $96,686 (2019 - $274,878)

The decrease of approximately $178,000 was mainly the result of decreased travel of approximately $134,000, mainly due to COVID-19 restrictions. Other reductions included conference and admission fees of approximately $44,000 again due to COVID-19 travel restrictions to the out-of-country events.

Compensation of $166,245 (2019 - $329,592)

The decrease of approximately $164,000 is mainly the result of temporary personnel reductions as the result of the COVID-19 pandemic, those reductions accounting for approximately $149,000 of the reduction. Further reductions of $15,000 were provided by the OAFT grant (see ***Government loans and grants*** section of this MD&A).

Consulting fees of $91,188 (2019 - $72,783)

The increase of approximately $18,000 is the result of 2019 credits received for consulting work never completed.

Investor relations and public reporting costs of $139,485 (2019 – $96,122)

The increase of approximately $44,000 was due in part to increased shareholder communications and reporting (approximately $15,000) together with increased investor relations consulting fees (approximately $29,000).

Professional fees of $106,345 (2019 – $126,327)

The decrease of approximately $20,000 was the result of decreased audit and legal fees.

Research and development of $83,739 (2019 – $172,840)

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

Other items, gain of $4,728 (2019 – gain of $59,608)

Gain on settlement of accounts payable of $nil (2019- $59,090)

Gain on sale of trademarks of $1,642 (2019 - $nil)
In 2020, the Company sold trademarks for proceeds of $1,642.

In 2019, the Company settled an outstanding legal claim with its former President and CEO.

Government of Canada Covid-19 relief - grant of $12,387 (2019 - $nil)

Details of the CEBA have been disclosed in the ***Government loans and grants*** section of this MD&A.

Summary of quarterly results

	4th Quarter 2020	**3rd Quarter 2020**	**2nd Quarter 2020**	**1st Quarter 2020**
Total revenues[1]	(9,083)	24,857	34,179	41,295
Loss and comprehensive loss	(307,212)	(307,252)	(88,105)	(291,866)
Net loss per share – basic and fully-diluted[1]	(0.01)	(0.00)	(0.00)	(0.00)
Total assets	1,330,205	1,603,649	522,239	472,275
Long-term debt	-	-	-	-
Equity (deficiency)	1,021,496	1,357,441	132,461	173,791
Cash dividends declared per common share	-	-	-	-

	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019	1st Quarter 2019
Total revenues[1]	(70,553)	7,402	67,638	6,650
Loss and comprehensive loss	(392,467)	(550,269)	(120,910)	(410,375)
Net loss per share – basic and fully-diluted[2]	(0.00)	(0.01)	(0.00)	(0.01)
Total assets	707,341	967,503	1,446,087	1,702,949
Long-term debt	-	-	-	-
Deficiency	400,035	745,518	1,135,080	824,355
Cash dividends declared per common share	-	-	-	-

[1]4th quarter revenues reflect adjustments to exclude amounts not meeting the Company's revenue recognition policy.
[2]Inclusion of outstanding warrants and options is anti-dilutive.

Liquidity and capital resources

As at December 31, 2020, the Company had a working capital of $904,281 (December 31, 2019 – $369,735) 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 revenues, 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, 2020 or 2019. The Company is not subject to any capital requirements by lending institution or regulatory body, other than by the continued listing requirements of the TSXV.

Transactions with related parties

Year ended December 31, 2020 and December 31, 2019

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 an arm's-length basis, 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 of Sales. Related-party transactions are detailed below:

	Years ended	
	December 31, 2020	December 31, 2019
Transactions:	**$**	$
Consulting fees	**157,860**	90,000
Share-based payments	**210,221**	287,464

As at December 31, 2020, $2,496 (2019 - $137,733) is owed to officers or directors of the Company or entities controlled by them.

During 2020, the key management (or companies controlled by them) exercised nil options (2019 – 307,894), raising gross proceeds for the Company of $nil (2019 - $63,000).

During 2020, the key management (or companies controlled by them) participated in financings in the amount of $179,844 (2019 - $nil).

In August 2020, the Company settled outstanding amounts due to a related party at a discount of $27,225. Pursuant to IFRIC 19.6, the discount is not reflected in the statements of consolidated loss and comprehensive loss but to common shares.

In May 2019, 471,698 common shares with a fair value of $125,000 were issued to a vice president of the Company in settlement of related-party debt.

Significant accounting policies

A summary of the Company's significant accounting policies is 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:

	2020	2019
	$	$
Financial assets		
Cash	**945,419**	438,428
Accounts receivable	**-**	7,193
	945,419	445,621
Financial liabilities		
Accounts payable and accrued liabilities	**301,868**	169,573
Due to related parties	**2,496**	137,733
	304,364	307,306

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 has no financial instruments carried at fair value to measure in the fair value hierarchy.

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, 2020, the Company had $308,709 (2019 - $307,306) of liabilities with a maturity of one year or less and working capital of $904,965 (2019 – $369,735). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis.

Credit risk

Credit risk is derived from cash and accounts receivable. The Company places its cash in deposit with major Canadian financial institutions. The Company has established a policy to mitigate the risk of loss related to granting customer credit.

The carrying amount of cash and trade accounts receivable represents the Company's maximum exposure to credit risk, which amounted to $945,419 at December 31, 2020 (December 31, 2019 - $445,621). The allowance for doubtful accounts as at December 31, 2020 is $nil (December 31, 2019 - $1,657). See note 8.

As at December 31, 2020 and 2019, the Company's accounts receivable, net of the allowance for doubtful accounts, was aged as follows:

	December 31, 2020	December 31, 2019
	$	$
Current	**-**	4,706
1 – 30 days	**-**	-
31 – 60 days	**-**	-
61 – 90 days	**-**	-
Over 90 days	**-**	2,487
	-	7,193

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). The Company is not subject to significant market 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, accounts receivable and trade payables and accrued liabilities that are denominated in foreign currencies. The Company has recognized currency exchange gains the year ended December 31, 2020 of $10,541 (2019 – losses of $33,860).

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

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

As at December 31, 2020 and 2019, the Company's exposure to foreign currency balances is as follows:

		Exposure ($Cdn)	
Account	**Foreign currency**	**December 31, 2020**	December 31, 2019
Cash	US dollar	**2,126**	87,368
Accounts receivable, gross	US dollar	**-**	-
Accounts payable and accrued liabilities	US dollar	**(74,448)**	(58,861)

	(71,322)	28,507

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net income for the period by approximately $7,000 (2019 – $3,000).

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.

Contagious diseases

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and, as previously noted, the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Research and development costs

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

	Year ended	
	December 31, 2020	December 31, 2019
	$	$
Technical consulting	**68,494**	150,158
Technical consumables	**15,245**	12,682
Research and development costs	**83,739**	172,840

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at the date of this MD&A:

	Number
Common shares	84,609,718
Warrants	4,909,740
Options	11,611,195