



CO2 GRO Inc.

Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

**As at and for the three and nine months ended
September 30, 2020 and 2019**

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of CO2 GRO Inc. (the "Company") have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2020 and 2019 have not been reviewed by the Company's auditors.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of CO2 GRO Inc. are the responsibility of the management and the Board of Directors (the "**Board**") of the Company and have been prepared in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim unaudited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("**NI 52-109**"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("**DC&P**") and/or ICFR, as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying Officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

"John Archibald"

John Archibald
President and Chief Executive Officer

November 17, 2020

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

November 17, 2020

CO2 GRO Inc.

Unaudited Interim Consolidated Statements of Financial Position

(expressed in Canadian dollars)

<i>As at</i>	September 30, 2020	December 31, 2019
Assets	\$	\$
Current assets		
Cash	1,211,253	438,428
Sales taxes recoverable	24,093	28,953
Accounts receivable (note 6)	27,936	7,193
Prepaid expenses (note 7)	30,619	22,848
Inventory (note 8)	213,661	179,619
Total current assets	1,507,562	677,041
Non-current assets		
Intangibles, net (note 9)	96,087	30,300
Total non-current assets	96,087	30,300
Total assets	1,603,649	707,341
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 10)	242,367	169,573
Due to related parties (note 13)	3,911	137,733
Total current liabilities	246,278	307,306
Total liabilities	246,278	307,306
Shareholders' equity		
Common shares (note 12.2)	16,315,354	15,399,817
Reserve for warrants (note 12.3)	650,032	130,461
Contributed surplus (note 12.4)	4,170,188	3,960,737
Accumulated deficit	(19,778,203)	(19,090,980)
Total shareholders' equity	1,357,371	400,035
Total liabilities and shareholders' equity	1,603,649	707,341

Going concern (note 1)

Significant contracts and commitments
and contingencies (note 16)

Approved for issuance by the Board on November 17, 2020

"Rose Marie Gage", Independent Director

"Michael Boyd", Independent Director

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

CO2 GRO Inc.

Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

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

	3 months ended		9 months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Revenue	24,857	7,402	100,331	81,690
Cost of sales (note 14)	(32,097)	-	(84,724)	(3,325)
Gross margin (loss)	(7,240)	7,402	15,607	78,365
Expenses				
Administration (note 11.2)	17,012	90,620	57,349	171,404
Amortization and depreciation	910	9,799	2,079	17,257
Compensation	16,082	91,719	96,753	239,493
Consulting fees	22,500	11,762	68,688	46,762
Foreign exchange (gains) losses	(600)	(2,179)	(1,551)	35,680
Investor relations and public reporting costs	69,457	47,770	98,231	91,454
Professional fees	20,119	69,959	86,901	110,959
Research and development non-compensation (note 15)	24,225	87,263	62,689	189,904
Share-based compensation (note 12.5)	125,093	151,258	237,490	317,308
Total expenses	294,798	557,671	708,629	1,220,221
Operating loss before other items	(302,038)	(550,269)	(699,022)	(1,141,856)
Other items:				
CEBA grant component (note 11.1)	(611)	-	12,387	-
Interest income (expense)	(1,642)	-	(2,849)	1,212
Change in expected credit losses	(2,961)	-	(3,739)	-
Gain on settlement of accounts payable (note 10)	-	-	-	59,090
	(5,214)	-	5,799	60,302
Income (loss) and comprehensive income (loss) for the period	(307,252)	(550,269)	(687,223)	(1,081,554)
Basic and fully-diluted income (loss) and comprehensive income (loss) per share	(0.00)	(0.01)	(0.01)	(0.02)
Weighted average number of common shares outstanding	74,366,295	67,657,091	70,215,306	66,548,597

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

CO2 GRO Inc.

Unaudited Interim Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Common shares		Shares to be issued	Warrants	Contributed surplus	Accumulated deficit	Total
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance at December 31, 2018	63,087,662	14,008,856	2,000	304,461	3,879,572	(17,616,959)	577,930
Shares to be issued	10,695	2,000	(2,000)	-	-	-	-
Exercise of warrants	3,437,500	402,500	-	-	-	-	402,500
Fair value of exercised warrants	-	148,500	-	(148,500)	-	-	-
Shares for debt	471,698	125,000	-	-	-	-	125,000
Adjustment to shares for debt <i>(note 10)</i>	-	282,635	-	-	-	-	282,635
Exercise of options	713,449	121,700	-	-	-	-	121,700
Fair value of exercised options	-	229,154	-	-	(229,154)	-	-
Share-based compensation	-	-	-	-	317,308	-	317,308
Loss and comprehensive loss for the period	-	-	-	-	-	(1,081,554)	(1,081,554)
Balance at September 30, 2019	67,721,004	15,320,345	-	155,961	3,967,726	(18,698,513)	745,519
Exercise of warrants	300,000	24,000	-	-	-	-	24,000
Fair value of exercised warrants	-	25,500	-	(25,500)	-	-	-
Exercise of options	96,000	17,249	-	-	-	-	17,249
Fair value of exercised options	-	12,723	-	-	(12,723)	-	-
Share-based compensation	-	-	-	-	5,734	-	5,734
Loss and comprehensive loss for the period	-	-	-	-	-	(392,467)	(392,467)
Balance at December 31, 2019	68,117,004	15,399,817	-	130,461	3,960,737	(19,090,980)	400,035
Shares issued for cash	11,498,695	1,379,844	-	-	-	-	1,379,844
Fair value of issued warrants	-	(491,532)	-	491,532	-	-	-
Expired warrants' issue costs	-	-	-	28,039	(28,039)	-	-
Adjustment for settlement of amounts due to related parties (note 13)	-	27,225	-	-	-	-	27,225
Share-based compensation	-	-	-	-	237,490	-	237,490
Loss and comprehensive loss for the period	-	-	-	-	-	(687,223)	(659,998)
Balance at September 30, 2020	79,615,699	16,315,354	-	650,032	4,170,188	(19,778,203)	1,357,371

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

CO2 GRO Inc.

Unaudited Interim Consolidated Statements of Cash Flow

(expressed in Canadian Dollars)

<i>Nine months ended September 30,</i>	2020	2019
	\$	\$
Operations		
Net loss	(687,223)	(1,081,554)
Non-cash items:		
Amortization and depreciation	2,079	17,257
Changes in expected credit losses	3,739	-
Gain on settlement of accounts payable <i>(note 10)</i>	-	(59,090)
IAS 20 adjustment on interest-free loan <i>(note 11.1)</i>	(12,387)	-
IFRIC adjustment on shares issued for debt <i>(note 10)</i>	-	282,635
IFRIC adjustment on settlement of amounts due to related parties <i>(note 13)</i>	27,225	-
Interest accretion	2,387	-
Share-based payments	237,490	317,308
Net change in non-cash working capital items:		
Accounts receivable	(24,481)	(75,360)
Prepaid expenses	(7,771)	(6,898)
Sales taxes recoverable	4,860	(20,673)
Inventory	(34,042)	-
Trade payables and accrued liabilities	100,019	(314,232)
Cash used for operations	(415,332)	(940,607)
Financing activities		
Issuance of common shares	1,379,844	-
Exercise of warrants	-	402,500
Exercise of options	-	121,700
Related-party loans repaid	(133,822)	(235,572)
Government loan <i>(note 11.1)</i>	40,000	-
Repayment of government loan <i>(note 11.1)</i>	(30,000)	-
Cash provided from financing activities	1,256,022	288,628
Investing activities		
Purchase of equipment	-	(192,093)
Purchase of intangibles	(67,865)	-
Cash used for investing activities	(67,865)	(192,093)
Increase (decrease) in cash for the period	772,825	(843,982)
Cash at beginning of year	438,428	1,319,812
Cash at end of period	1,211,253	475,830

Supplemental cash flow information *(note 18)*

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

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

1. General information and going concern

CO2 Gro Inc. (“**CO2 GRO**” or the “**Company**”) was incorporated under the provisions of the Business Corporations Act (Ontario) on September 17, 2010, and trades on the TSX Venture Exchange (“**TSXV**”) under its trading symbol, “**GROW**”.

Dissolved CO₂ 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 (“**CO2 Delivery Solutions™**”), both of which form the Company’s Dissolved CO2 plant-enrichment platform.

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

These unaudited interim consolidated financial statements (the “**Interim Consolidated Financial Statements**”) have been prepared using International Financial Reporting Standards (“**IFRS**”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Company is in the development stage and has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. CO2 GRO’s ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurance that it will be successful in doing so. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness, ultimately, of the use of accounting principles applicable to a going concern. The Interim Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Preparation

2.1 Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with *International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’* using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

The Interim Consolidated Financial Statements were approved and authorized for issuance by the Board on November 17, 2020.

2.2 Basis of presentation

The Interim Consolidated Financial Statements have been prepared on a historical cost basis with the exception of financial instruments which are measured at fair value. In addition, the Interim Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information and are presented in Canadian dollars, the Company’s functional currency.



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

The preparation of the Interim Consolidated Financial Statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

2.3 Basis of consolidation

The Interim Consolidated Financial Statements consolidate the accounts of the Company and all its subsidiaries. The Company has the following inactive, wholly-owned subsidiaries: Pure Polar Canada Inc., CO2 GRO (US) Inc., BlueOcean Shrimp Products Inc., Asta NutraSciences Inc., BlueOcean Algae Inc., Solutions4CO₂ USA, Inc., 70717 Newfoundland and Labrador Limited ("70717") and Pure Polar Labs Inc. ("Pure Polar"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

The Company owns a 50% equity interest in 2453969 Ontario Inc., an inactive joint arrangement. The Company accounts for this arrangement using the equity method in accordance with IFRS 11 'Joint Arrangements' ("IFRS 11").

3. Adoption of new and revised standards and interpretations

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

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 and is assessing its impact on its consolidated financial statements.

IFRS 17 – Insurance Contracts ("IFRS 17") was new in 2017 and will replace IFRS 4 – Insurance Contracts. The amended Standard provides updated guidance for entities in dealing with insurance contracts (including reinsurance contracts) it issues or holds and goes into effect for annual periods commencing after January 1, 2021. The Company has not yet adopted this IFRS 17 and is currently assessing the effects on its consolidated financial statements.

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 and is currently assessing the effects on its consolidated financial statements.



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

4. Capital management

The Company's main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development, production, promotion and sales. Secondly, 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 nine months ended September 30, 2020 or the comparable period. The Company is not subject to any capital requirements by lending institutions or regulatory bodies, other than by the continued listing requirements of the TSXV.

5. Risk management and financial instruments

The Company's financial instruments are detailed as follows:

	September 30, 2020	December 31, 2019
	\$	\$
Financial assets		
Cash	1,211,253	438,428
Accounts receivable	27,936	7,193
	1,239,189	445,621
Financial liabilities		
Accounts payable and accrued liabilities	242,367	169,573
Due to related parties	3,911	137,733
	246,278	307,306

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

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

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.

5.1 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at September 30, 2020, the Company had \$246,278 (December 31, 2019 - \$307,306) of liabilities with a maturity of one year or less and working capital of \$1,261,284 (December 31, 2019 – \$369,735). The Company manages its liquidity risk by reviewing its growth plans on an ongoing basis.

5.2 Credit risk

Credit risk is derived from cash and accounts receivable. The Company places its cash in deposit with major Canadian and United States 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 \$33,333 at September 30, 2020 (December 31, 2019 - \$8,850). The allowance for doubtful accounts at September 30, 2020 is \$5,397 (December 31, 2019 - \$1,657). See note 6.

As at September 30, 2020 and December 31, 2019, the Company's accounts receivable, net of the allowance for doubtful accounts, was aged as follows:

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

	September 30, 2020	December 31, 2019
	\$	\$
Current	8,800	4,706
31 – 60 days	2,693	-
61 – 90 days	1,441	-
Over 90 days	15,002	2,487
	27,936	7,193

5.3 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.

5.4 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 losses during the three and nine months ended September 30, 2020 of gain of \$600 (2019 – \$2,179) and \$1,551 (2019 – loss of \$35,680), respectively.

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 September 30, 2020 and December 31, 2018, the Company's exposure to foreign currency balances is as follows:

Account	Foreign currency	Exposure (\$Cdn)	
		September 30, 2020	December 31, 2019
Cash	US dollar	1,447	87,368
Accounts receivable	US dollar	10,143	-
Accounts payable and accrued liabilities	US dollar	(91,819)	(58,861)
		(80,229)	28,507

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net income for the period by approximately \$8,000 (2019 – \$3,000).



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

6. Receivables

	September 30, 2019	December 31, 2019
	\$	\$
Receivables	33,333	8,850
Allowance for expected credit losses	(5,397)	(1,657)
	27,936	7,193

Generally, the receivables are on terms due within 30 days.

The Company has recognized expected credit recoveries (losses) for the three and nine months ended September 30, 2020, of losses of \$2,961 (2019 - \$nil) and losses of \$3,739 (2019 - \$nil), respectively.

7. Prepaid expenses

Prepaid expenses represent costs expended by the Company for which it has not yet received value. The full amount of the prepaid balance at June 30, 2020, is expected to be utilized during the upcoming year, with any portion consumed being expensed through the consolidated statements of loss and comprehensive loss, and any unconsumed portion reallocated to the appropriate consolidated statements of financial position classification.

	September 30, 2020	December 31, 2019
	\$	\$
Administration	-	8,395
Consulting	7,500	7,500
Insurance	2,923	6,953
Inventory	7,012	-
Professional fees	13,184	-
Total	30,619	22,848

8. Inventory

As at September 30, 2020 and December 31, 2019, the Company's inventory included the following:

	September 30, 2020	December 31, 2019
	\$	\$
Opening balance, January 1	179,619	-
Raw material purchases	55,138	249,750
Transferred to cost of good sold	(21,096)	(70,131)
Closing balance	213,661	179,619



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

9. *Intangibles, net*

Cost	Patents
	\$
January 1, 2019	-
Additions	32,144
December 31, 2019	32,144
Additions	67,865
September 30, 2020	100,009

Accumulated Depreciation

	\$
January 1, 2019	-
Depreciation	1,843
December 31, 2019	1,843
Depreciation	2,079
September 30, 2020	3,922

Net Book Value

December 31, 2019	30,300
September 30, 2020	96,087

10. *Trade payables and accrued liabilities*

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases and financing activities. The usual credit period taken for trade purchases is between 30 and 90 days.

The following is an analysis of the Company's trade payables and its accrued liabilities:

	September 30, 2020	December 31, 2019
	\$	\$
Administration	50,494	40,176
Compensation	32,048	225
Cost of goods sold	16,314	-
Investor relations and public reporting costs	12,261	1,188
Professional fees	21,746	23,070
Research and development	3,580	3,580
Trade payables and accrued liabilities	139,433	68,239

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

	September 30, 2020	December 31, 2019
Disputed amounts from legacy shrimp and algal oil segments	102,924	101,334
Total trade payables and accrued liabilities	242,367	169,573

In May 2019, 471,698 common shares with a fair value of \$125,000, were issued in settlement of related-party debt (note 12.2(x)). Pursuant to IFRIC 19.6, an addition of \$282,638 to common shares was made (being the difference between the amount of the retired debt and the fair value of the shares issued).

In May 2019, the Company settled an outstanding legal claim with its former President and CEO. A gain on the settlement of accounts payable of \$59,090 has been recorded in the statements of loss and comprehensive loss.

11. Government loans and grants

11.1 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.

11.2 Ontario Agri-Food Technologies (“OAFI”)

In April 2020, the Company received an OAFI grant in the amount of \$15,000. The grant was provided by OAFI 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.

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

12. Capital stock

12.1 Authorized

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

12.2 Issued and outstanding

2020:

- (i) 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 \$1,379,843. 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.

2019:

- (ii) 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.
- (iii) 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 raising proceeds of \$28,500. The fair value of \$28,526 was transferred from contributed surplus to common shares.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) In March 2019, 335,555 options (150,000 by key management, note 12) with exercise prices between \$0.135 and 0.22 and expiry dates between February 15, 2020 and October 1, 2024, were

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

exercised raising proceeds of \$59,750. The fair value of \$107,490 was transferred from contributed surplus to common shares.

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

12.3 Warrants

The outstanding issued warrants balance as at September 30, 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	2,500,000	0.12	100,000
December 19, 2022	Warrants	1,462,500	0.12	58,500
Total		3,962,500	0.12	650,032

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

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

	September 30, 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 period:				
Exercised	0.15	11,498,695	(0.11)	(3,737,500)
Outstanding at end of period	0.14	15,461,195	0.12	3,962,500

12.4 Contributed surplus

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 September 30, 2020, 1,185,972 options (December 31, 2019 – 2,465,103) are available for issuance under the Plan.

The principal features of the Plan are as follows:

- the maximum aggregate number of common shares that may be allocated and made available to be granted to participants under the Plan is 10% of the issued and outstanding common shares of the Company, less the number of options currently issued;
- the aggregate number of common shares that may be reserved for issuance pursuant to options granted to Insiders (defined as (a) a director or senior officer of the Company; (b) a director or senior officer of a “company” (as defined in the TSX Venture Exchange (“TSXV”) policies) that is an Insider or subsidiary of the Company; (c) a “person” (as defined in TSXV policies) that beneficially owns or controls, directly or indirectly, “voting shares” (as defined in TSXV policies) carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company; or (d) the Company itself if it holds any of its own securities) shall not exceed 10% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders;
- the aggregate number of options that may be granted to all Insiders within a 12-month period shall not exceed 10% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders;
- the aggregate number of options that may be granted to any one individual within a 12-month period shall not exceed 5% of the issued and outstanding common shares (on a non-diluted basis) without the consent of disinterested shareholders;
- the aggregate number of options that may be granted to any one “consultant” (as defined in the TSXV policies) within a 12-month period shall not exceed 2% of the issued and outstanding common shares (on a non-diluted basis); and



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

- the aggregate number of options that may be granted to all employees conducting “investor relation activities” (as defined in the TSXV policies) within a 12-month period shall not exceed 2% of the issued and outstanding common shares (on a non-diluted basis).

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

	September 30, 2020		December 31, 2019	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price ¹	Number of Options
	\$		\$	
Outstanding at beginning of year	0.20	4,355,598	0.18	3,149,197
Transactions during the period:				
Granted	0.17	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 period	0.19	6,775,598	0.20	4,355,598
Exercisable at end of period	0.18	5,953,098	0.19	4,035,598

The following table provides additional information about outstanding stock options at September 30, 2020:

Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.10 to \$0.15	3,076,143	1.9	0.14
\$0.16 to \$0.20	1,663,606	2.8	0.19
\$0.21 to \$0.30	2,035,849	0.4	0.23
Outstanding	6,775,098	1.7	0.19
Exercisable	5,953,098	1.8	0.16

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 155.7%; 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 \$217,000.

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



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

\$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.

12.5 Share-based compensation

The fair value of the stock options vested for the three and nine month ended September 30, 2020 was \$125,093 (2019 – \$151,258) and \$237,490 (2019 - \$317,308), respectively, which amounts have been expensed in the consolidated statements of loss and comprehensive loss and off-set to contributed surplus.

13. Related-party transactions and key management compensation

The Consolidated Financial Statements include balances and transactions with Directors and/or Officers of the Company and/or corporations related to or controlled by them.

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, Chief Science Officer and Vice President of Operations. Related-party compensation paid or payable to key management is detailed below:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Transactions:	\$	\$	\$	\$
Compensation to key management	-	-	-	-
Consulting fees to key management	46,725	44,445	129,510	104,075
Share-based payments	46,150	37,762	198,488	285,603

As at September 30, 2020, \$3,911 (December 31, 2019 - \$137,733) is owed to Officers or Directors of the Company or entities controlled by them.

In August 2020, the Company settled outstanding amounts due to a related party. Pursuant to IFRIC 19.6, an addition of \$27,225 was made to common shares.

14. Cost of sales

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Commissions and fees	5,350	-	8,110	-
Consumable parts and tools	25,147	-	49,060	-
Finished goods equipment sales	-	-	21,096	-



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Freight, shipping and purchase discount	-	-	4,858	3,325
Purchase discounts	1,600	-	1,600	
Total cost of sales	32,097	-	84,724	3,325

15. Research and development costs

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

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Technical consulting	24,225	78,233	62,689	175,090
Patent filing costs	-	7,401	-	8,219
Technical consumables	-	1,629	-	6,595
Research and development costs	24,225	87,263	62,689	189,904

16. Significant contracts, commitments and contingencies

16.1 Legal proceedings

The Company is, from time to time, involved in various claims and legal proceedings. In October 2019, the Company was served with a statement of claim filed in the Ontario Superior Court of Justice against the Company and two Officers. The case pertains to alleged breaches of non-competition agreements by these Officers and claims damages and an injunction against them and the Company. The Company's lawyers are managing the claim and are vigorously defending against this action.

The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any ending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

16.2 Licences

The Company previously obtained a licence (the "**Licence**") from Neptune Technologies & Bioresources Inc. ("**Neptune**") to sell its shrimp oil globally. Pursuant to the Licence, the Company had an annual



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements (expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

obligation to pay a minimum fee of US\$250,000 which continued until the licence expires on December 16, 2024 or terminates (in which case a pro-rata payment equal to the annual amount multiplied by the number of months that have elapsed since the prior October 1st). In March 2019, the Company was notified by Neptune that it had transferred the outstanding amount owed to it by the Company, to an officer of the Company. In May 2019, the Company issued 471,698 common shares to the officer in settlement of the outstanding liability (note 12.2 (x)).

16.3 COVID-19

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 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.

17. Segmented information

Operating segments

CO2 GRO's sole focus is commercializing its patent-protected CO₂ gas infusion technology license and its patent-pending US PTO CO₂ Delivery Solutions, both of which form the Company's Dissolved CO₂ plant-production platform. As such, the Company's operating segment information is the same as that reporting in the Consolidated Financial Statements.

Geographic segments

CO2 operates in two geographic segments being Canada and the United States. The Company realized its first ongoing operating lease revenue in late March 2019, from its first CO₂ Delivery Solutions™ installation.

As at	September 30, 2020	December 31, 2019
	\$	\$
Identifiable assets:		
Canada	1,530,485	678,887
United States	73,164	28,454
	1,603,649	707,341



CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Loss and comprehensive net loss:				
Canada	(320,305)	(547,403)	(700,276)	(1,080,242)
United States	13,053	(2,866)	13,053	(1,412)
	(307,252)	(550,269)	(687,223)	(1,081,554)
Revenues				
Canada	6,085	-	11,485	-
United States	18,772	7,402	88,846	81,690
	24,857	7,402	100,331	81,690
Cash used for operations:				
Canada			(566,086)	(939,195)
United States			150,754	(1,412)
			(415,332)	(940,607)

CO2 GRO Inc.

Notes to the Unaudited Interim Consolidated Financial Statements
(expressed in Canadian dollars)

As at and for the Three and Nine Months Ended September 30, 2020 and 2019

18. Supplemental cash flow information

	Nine months ended	
	September 30, 2020	September 30, 2019
	\$	\$
Non-cash financing activities:		
Settlement of debt with share issuance	-	125,000
Interest paid	-	-
Taxes paid	-	-

