CO2 GRO Inc.

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended March 31, 2022

May 26, 2022

CO2 GRO Inc.

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QUARTERLY HIGHLIGHTS
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*This interim management discussion and analysis – quarterly highlights ("**Interim MD&A**") has been prepared based on information available to CO2 GRO Inc. ("**CO2 GRO**" or the "**Company**") at May 26, 2022. This Interim MD&A is based on information available to CO2 GRO and updates disclosure previously provided in the Company's Annual and interim MD&A's, up to the date of this Interim MD&A and should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes as at and for the three months ended March 31, 2022 and 2021 (the "**Interim Consolidated Financial Statements**") and the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 (the "**Consolidated Financial Statements**"). Both the Audited Consolidated Financial Statements and the Unaudited Interim Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the 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 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 may contain "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 for the economic environment in which CO2 GRO operates. These forward-looking statements are not guarantees of future performance and actual results and outcomes may differ materially. Accordingly, readers should not place undue reliance on forward-looking 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 and delays in obtaining governmental approvals or financing or in the completion of research and development activities.

The 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. 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 Interim 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.

General

CO2 GRO 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**", 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 CO_2 gas infusion technology and its patent-pending US PTO CO2 Delivery Solutions system ("**CO2 Delivery Solutions™**"), both of which form the Company's sole dissolved CO_2 for third-party protected grower 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.

The Unaudited 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 may include 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. 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.

The Interim Consolidated Financial Statements have been prepared in accordance with *International Accounting Standards 34* 'Interim Financial Reporting' using accounting policies consistent with the IFRS issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. They consolidate the accounts of the Company and all its subsidiaries. The Company has the following, wholly-owned subsidiaries: Pure Polar Canada Inc. (inactive), CO2 GRO (US) Inc., BlueOcean Shrimp Products Inc. (inactive), Asta NutraSciences Inc. (inactive), BlueOcean Algae Inc. (inactive), Solutions4CO_2 USA, Inc. (inactive), 70717 Newfoundland and Labrador Limited (inactive), Pure Polar Labs Inc. (inactive). 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 also 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'*.

The Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on May 24, 2022.

Any reference in this Interim MD&A to "**note**" or "**notes**" is to the corresponding note(s) in the Interim Consolidated Financial Statements or the Consolidated Financial Statements, as applicable.

Corporate

Financial condition

As at March 31, 2022, the Company had assets totaling $2,377,909 and a shareholders' equity of $2,029,036. This compares with assets of $876,592 and shareholders' equity of $435,745, as at December 31, 2021.

During the quarter ended March 31, 2022, the Company's net assets increased by $1,593,291, comprising an increase in assets of $1,501,317 supplemented with a decrease in liabilities of $91,974.

Changes to the Company's net assets are detailed as follows:

Item	Change	Explanation of change
	$	
Cash	1,522,054	Cash used for operating activities of $283,304 less cash used for investing activities of $23,750 offset by cash provided from financing activities of $1,829,108.
Receivables and sales taxes recoverable	(1,531)	Receivables increased by $17,143 and HST decreased by $18,674. Increased receivables reflect current sales now meeting the Company's revenue recognition policy together with interest accretion from those sales with terms greater than one year.
Prepaid expenses	(19,063)	The decrease reflects the normal expensing of the applicable underlying asset.
Intangible assets - Patents	(143)	Change represents purchases of $23,750 less amortization of $5,143 less the one-time recovery of the government grant of $18,750 (note 10).
Total assets	**1,501,317**	
Accounts payable and accrued liabilities	48,787	Decrease in payables due to normal operational variation in timing of payments.
Due to related parties	65,153	Decrease is the result of the payment of expenses that were outstanding at year end.
Deferred revenue	(21,966)	Changes for the period represents amounts received from customers for sales that have not met the Company's revenue recognition criteria less those that have met the criteria.
Total liabilities	**91,974**	

Item	Change	Explanation of change
	$	
Total change	**1,593,291**	

Operational updates

As further detailed in the *Changes to outstanding CO2 GRO securities* section of this MD&A, in January and February 2022, there was a total of $1,885,169 raised with the exercise of 11,488,695 warrants and 1,022,285 options.

CO2 GRO is in discussions with potential marketing partners in Japan, South Korea an additional partner in Spain, one of the largest protected grower markets in the world. The Company recruited two full time U.S. sales representatives during Q1 2022. The Company remains focused on countries with the largest protected grower square footages that abide by global patent laws and regulations.

The rapidly growing 800 billion square foot protected grower marketplace is comprised of 600 billion square feet of fruits & vegetables (Cuesta Roble 2019), an estimated 100 billion square feet of floriculture and another estimated 100 billion square feet of crops such as medicinal plants, citrus tree seedlings and other non-food plant and tree seedling varieties.

Canada

Trials continue at two significant *Cannabis* licensed-producer ("**LP**") greenhouses. Trials at Alberta's The Cucumber Man were deferred into spring 2022 to match the start of the 2022 annual tomato and cucumber cycle. Parts, logistics, COVID-19 and other factors delayed their Trial start dates. On April 28, 2022 and May 17, 2022, the Company announced the start-up of a two-part Trial on long English cucumbers and grape tomatoes at The Cucumber Man, collectively using 140,000 square feet of grow area for the two-part trial. The Company also announced a Trial on May 19, 2022, with a Canadian greenhouse cucumber grower.

United States ("US")

In Q1 2022, we announced one large, contracted sale to a US greenhouse owner for US$127,750. (See News Release dated January 26, 2022).

We announced successful interim yield improvement and pathogen resistance results at a California greenhouse that is expanding to 800,000 square feet (see News Release dated January 6, 2022) and a new Trial in California on January 4, 2022.

The US flower greenhouse Trial announced July 28, 2021, is now underway. The owner wished not to be named and the facility size and the type of flowers not to be identified.

The Strong Agronomy Management, Inc., California-based Trial was delayed 18 months due to forest fire hazard risks to their grow facilities as well as COVID-19 related problems. Start-up after a Q1 2022, installation is now scheduled for May-June 2022. See news release dated July 29, 2020.

International

We announced a new international Trial in a Colombia rose greenhouse on March 15, 2022. Previously announced Trials in Israel, France, South Africa, Japan and the UK (2) are ongoing or restarting in 2022.

European Union ("EU") and United Kingdom ("UK")

In the UK, both 2021 announced tomato greenhouse Trials were delayed into 2022, one due to a CO_2 supply shortfall together with other factors.

In France, the Plant Advance Technology Trial on greenhouse biopharma plants targeting root extracts, is expected to restart in June 2022.

In the EU (grower and country unnamed), the Company personally visited and guided the installation of a Trial at one grower's tomato greenhouses. The grower has 100 million square feet of greenhouse grow area throughout the EU and North Africa.

Middle East

In Israel, our partner Green Mist Ltd. has an ongoing Trial (see news release dated April 6, 2021) with *Cannabis* grower Pharmocann Global Ltd.

South America

In Colombia, a second Trial was announced at another large rose greenhouse in Q1, 2022. The Company's first Trial in Ecuador also at a rose greenhouse was announced on April 6, 2022. The Company now has three rose trials underway in South America for completion in late 2022.

Asia

In Japan, our first Trial at a major high-tech vegetable grow facility that was installed and started in Q4 2021, is ongoing. See news release dated August 16, 2021.

In Malaysia, continued Trial start-up delays due mainly to COVID-19 travel lockdowns and recent monsoon flooding has eased and the Company's Malaysian partner is now visiting potential greenhouse customers. See news release dated January 26, 2021.

In South Africa, a macadamia tree seedling Trial announced March 22, 2021, will take several years to fully assess the value of our technology.

Technology Trial update

At the reporting date, the Company now has 30 signed Trials including 12 carried over from 2020. Over 66% have been installed and are underway. A significant minority announced since 2020 chose to defer installations and/or start-ups to spring 2022 from 2020 or 2021 for a variety of reasons, such as management and staff turnover, labor shortages, COVID-19 issues, customs and transportation delays of component parts, soaring grower input costs, CO_2 gas shortages, financial liquidity issues and other customer specific issues. Several wanted a second year/cycle Trial to assess further.

Overall, each installed and operating CO2 Delivery Solutions™ system has and is performing very well once optimized, meeting or exceeding customer expectations. Trials 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 completing a commercial sale.

We are using our personnel or customer staff and, in some cases, third-party contractors to install our Trials and close sales in North America. Our Japanese, EU and El Salvador Trials and sales were installed under our virtual guidance once design blueprints were finalized with our customers. Other international Trials were performed by our marketing partners.

2022 Year-to-Date Trials and Sales

To-date in 2022, four new Trials for CO2 Delivery Solutions™ systems were announced with US, Colombia, Ecuador and Mexico greenhouse and protected facility growers. In addition, the largest contracted sale announced to date (US$127,750) on January 26, 2022, in California, occurred without a Trial.

Working with Trade Commissioners and Associations

On January 18, 2022, we announced being selected for a virtual Canadian Technology Accelerator Ag Tech Program by Canada's Netherlands and Belgium Trade Commissioners.

On February 17, 2022, the Canadian Trade Commissioner Service in the United Arab Emirates invited CO2 GRO to speak at its "Canadian Innovations in Agri-Food and Agri-Tech Seminar". Speaking on behalf of CO2 GRO was Elie Adaimy, Group Head of Business Development & Innovations at Gulf Cryo – CO2 GRO's business partner in the Middle East.

Key elements of CO2 GRO's marketing and sales channels CO2 GRO employs strategy are as follows: speaking at, exhibiting and/or participating in attending protected grower and agriculture conferences, utilizing Canadian Trade Commissioners and Commissioner Services for international expansion, and joining relevant industry associations. Participation leads to potential customer introductions and Trial opportunities. as well as market intelligence. Canadian Trade Commissioner Missions have been critical in accelerating market penetration through their sponsored introductions to potential customers.

For year-to-date in 2022, CO2 GRO has participated virtually and/or in-person at the world's largest Ag Tech, Controlled Environment Agriculture (CEA) and Vertical Grower Conferences such as NARBA, World-Agri-Tech, Greentech Americas in Mexico (exhibitor booth), PCA in Australia, and recently presented at CEA 4.0 in the UK (May 5, 2022).
On May 12, 2022, the Company announced it has been selected to speak at the Agreitech4Morocco Innovations Challenge with the support of the World Bank.

CO2 GRO is in ongoing 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 its customers.

Global Issues Discussion

COVID-19

Travel-related and physical distancing restrictions imposed by COVID-19 have lifted enough to participate at some conferences and visit with some customers, mainly in the US.

Labor

Our existing and potential customer base is very labor supply sensitive with labor typically their #1 cost. The reliability of migrant temporary labor for greenhouses has fallen considerably. Internally, we added two full-time sales representatives to our staff.

General inflation

Sharply rising oil and gas prices prior to the Ukraine conflict have risen further, particularly in the EU due to the Ukraine war impacts on both oil and gas supplies. Significant supply chain disruptions globally are now exacerbated by the Chinese government insisting on zero COVID-19 cases via massive lockdowns. This has led to the highest inflation rates in 40 years, according to the US Bureau of Labor Statistics.

Soaring operating costs for fertilizer, energy and labor shortages have been severe for most protected growers. That had led in part to sharply rising food prices. Our technology's value has therefore increased as the variable costs to run CO2 Delivery Solutions™ is low. There has been some impact on CO2 GRO's operating costs and supply chain issues including global transportation that have delayed some Trial startups.

CO_2 gas prices

Greenhouse operators who enrich their plants with CO_2 gas via direct purchases or burning fossil fuels are impacted by significantly higher CO_2 costs and in some cases, supply issues. They can, through the adoption of CO2 Delivery Solutions™, significantly reduce CO_2 usage and therefore operating costs while maintaining or slightly improving yields. Greenhouse growers who do not CO_2 gas can achieve up to 30% yield increases and an up to a doubling of gross profits which can help offset input cost pressures, as evidenced by our commercial trial and sales data.

United Nations Climate Summit COP 26 and carbon emissions.

With the countries represented agreeing to establish a global carbon trading platform by year-end 2022, carbon emission prices where policies and trading platforms are established (such as the EU) are anticipated to rise into 2023. As carbon emission costs rise, the use and value of our CO2 Delivery Solutions™ also rises, particularly for growers that inefficiently gas with purchased or fossil fuel generated CO_2. For a detailed review of these impacts, please refer to our ESG report found under the Investors – tab *"Environmental, Social and Governance"* at www.co2gro.ca.

Global issue impacts on the Company

The urgency for food security and growing more food has not been higher since World War Two. This trend is supporting CO2 GRO's prospects with protected growers. Many growers are suffering cash losses and shrinking margins so pressure to reduce costs, increase revenues and widen margins is high. CO2 Delivery Solutions™ provides growers the opportunity to produce more yield within their existing footprint or a smaller footprint thereby reducing overall cost per unit of production, resulting in higher margins at more competitive prices for their produce.

Sales seasonality

The vast majority growing seasons of the nearly 200 million plus square feet of sales pipeline opportunity the Company now has is above the Equator. The mostly one-year cycle crops grown are being planted in March-June for harvesting September. Sales opportunities vary from February planting to November final harvest or July planting to May final harvest.

Following the end of their 2022, fall respective harvests, CO2 GRO expects to be in negotiations with a number of these growers to sell commercial systems for installations in late 2022 to early 2023.

Revenue recognition

As we follow IFRS reporting standards, our revenue will not match our announced contracted sales as a portion of the revenues from sales with payment terms in excess of one year is recognized on a discounted basis in year-one with the balance being recognized in subsequent years (see note 14). CO2 GRO is reviewing various operational options that could accelerate revenue recognition of any contracted sales with payment terms in excess of one year. Any moves in this direction would only be undertaken if benefits to the Company outweigh potential costs.

Changes to outstanding CO2 GRO securities

Common shares

In January and February 2022, 11,488,695 warrants and 1,022,285 options were exercised raising proceeds of $1,885,169. The fair value of exercised warrants ($491,105) and options ($55,320), was transferred from reserve for warrants and contributed surplus, respectively, to common shares. See note 12.2 (i).

Options

As noted above, during the three months ended March 31, 2022, 1,022,285 options were exercised. As well during the period, 1,900,000 options were issued with an exercise price of $0.22 and a maturity date of February 22, 2027.

Also, during the period, 442,000 options with an average exercise price of $0.17, expired.

Warrants

As noted above, during the three months ended March 31, 2022, 11,488,695 warrants were exercised. Also, during the period, 10,000 warrants with an exercise price of $0.15, expired.

Related-party transactions and balances

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

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the Directors, Chief Executive Officer, Chief Financial Officer and Vice President of Sales and Strategic Partnerships. Related-party compensation paid or payable to key management is detailed below:

3 months ended	**March 31, 2022**	March 31, 2021
	$	$
Compensation to key management	**27,000**	-
Consulting fees to key management	**22,500**	28,185
Share-based payments	**80,402**	983

As at March 31, 2022, $99,000 (December 31, 2021 - $164,153) is owed to officers or directors of the Company or entities controlled by them.

Outstanding securities

As at the date of this Interim MD&A, the Company has the following securities outstanding:

Security	Number outstanding
Common shares	97,326,698
Options (exercisable – 4,803,606)	6,413,606
Warrants	112,500