



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

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended September 30, 2019

November 25, 2019

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INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
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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. (formerly, BlueOcean NutraSciences Inc.) (“CO2” or the “Company”) as at November 25, 2019. This Interim MD&A is based on information available to CO2 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 and nine months ended September 30, 2019 and 2018 (the “Unaudited Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2018 and 2017 (the “Audited 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 contains “forward-looking statements” which may include, but are not limited to, statements with respect to the future financial or operating performance of CO2 or future events related to CO2 which reflect expectations regarding growth, results of operations, performance, business prospects or opportunities or industry performance or trends. These forward-looking statements reflect CO2’s current internal projections, expectations or beliefs and are based on information currently available to CO2. 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 and delays in obtaining governmental approvals or financing or in the completion of research and development activities. Although CO2 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 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

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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. ("**CO2 GRO**" or the "**Company**") was incorporated under the provisions of the Business Corporations Act (Ontario) on September 17, 2010. As of April 18, 2019, the Company commenced trading on the TSX Venture Exchange ("**TSXV**") under its new 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 systems, both of which form the Company's Dissolved CO₂ plant platform.

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

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 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 Unaudited 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 Unaudited Interim Consolidated Financial Statements 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"). They consolidate the accounts of the Company and all its subsidiaries. The Company has the following inactive, wholly-owned subsidiaries: Pure Polar Canada Inc. (formerly, Solutions4CO₂ Technologies Inc.), CO2 GRO (US) Inc., BlueOcean Shrimp Products Inc. (formerly, S4CO₂ Services Inc.), Asta NutraSciences Inc. (formerly, S4CO₂ Manufacturing Inc.), BlueOcean Algae Inc. (formerly, Solutions4CO₂ (SJVB) Limited) and Solutions4CO₂ USA, Inc., 70717 Newfoundland and Labrador Limited and its virtually inactive wholly-owned subsidiary, Pure Polar Labs Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

The Unaudited Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 22, 2019.

Financial condition

As at September 30, 2019, the Company had assets totaling \$967,503 and a shareholders' equity of \$745,518. This compares with assets of \$1,533,808 and a shareholders' equity of \$577,930, as at December 31, 2018.

During the quarter ended September 30, 2019, the Company's net assets decreased by \$389,562, the result of a decrease in assets of \$478,584, offset by a decrease in liabilities of \$89,022. The decrease in assets resulted from

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a decrease in cash of \$568,253 (cash used for operations of \$406,568, cash used for investing activities of \$70,450 and cash used for financing activities of \$91,235) and a decrease to prepaids of \$8,024. The decreases were offset by increases in accounts receivable of \$4,983, HST recoverable of \$32,059 and equipment of \$60,651. The decrease in liabilities of \$89,022, resulted from an increase to accounts payable and accrued liabilities of \$11,663 offset by a decrease in amounts due to related parties of \$100,685.

Corporate

Operational update

The first Canadian Commercial Demonstration of CO2 Delivery Solutions began in September 2019 at an Ontario flower grower's greenhouse, who has a total grow area of 500,000 square feet. The Company has issued Commercial Demonstration proposals to U.S., Canadian, E.U. and U.A.E. greenhouse growers that collectively own 10M+ square feet of grow area. The Company's current CO2 Delivery equipment inventory can service over 6M square feet. Approximately one-half of this grow area is cannabis and hemp, and one-half is floral, fruits and vegetables.

In Q3 2019, the Company announced a 133% biomass increase and a 147% increase in leaf surface area versus a control group of medical tobacco plants grown at the University of Guelph for a Bio-Pharma customer. Outdoors, the University of Guelph's Muck Station in Ontario, performed grow trials on four organic vegetables using an automated CO2 Delivery Solutions outdoor setup. Results will be used to design outdoor commercial demonstrations and installations in 2020.

Hemp CBD plant research at St. Cloud State University will start during Q4 2019 after a Minnesota State permit was granted to the University. Hemp plant research will be performed under the company's Chief Science Officer Dr. Matt Julius.

The Company's revenue model expansion to allow customers to buy CO2 Delivery Solutions or Lease-to-Own for five years in addition to perpetual leases is more accepted in the marketplace.

In Q3 2019, the Company added two more independent U.S. greenhouse consultants to represent its CO2 Delivery Solutions.

CO2 GRO has filed two additional patent applications under the Patent Cooperation Treaty. The filings further secure the Company's intellectual property around nutrient delivery technologies, especially in the case of outdoor value crops, and nutrient constituents delivered. The Company now has five corporate patent filings of which four were made YTD 2019.

As of October 17, 2019, Health Canada requires Licensed Producers (LPs) to use potable water if it touches any part of a cannabis plant and through cross-connections. Health Canada does not address CO2 gas delivery options in any of its updated Regulations and "does not pre-approve the process or equipment to produce cannabis". CO2 Delivery Solutions' aqueous CO2 is simply dissolved CO2 gas in potable water.

Several LPs supplement their plants with CO2 by pumping up to 1500 ppm of CO2 gas into the atmosphere of indoor grow rooms. GROW is currently in advanced discussions with a number of LPs who are interested in Commercial Demonstrations of CO2 Delivery Solutions.

The Canadian Food Inspection Agency concluded the Company's dissolving CO2 technology "does not meet the definition of a supplement".

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In November, the Company entered into a Memorandum of Understanding with Gulf Cryo, a major Middle East industrial gas producer, to provide potential greenhouse and outdoor customer introductions in return for supplying CO2 gas exclusively for an initial two-year period in eight Middle East countries, Egypt and Turkey.

Claim filed against the CO2 GRO Inc.

The Company was served with a statement of claim filed in the Ontario Superior Court of Justice in October 2019 by Prosper Technologies LLC Canzone Limited and Prosper Industries Inc. against the company and two officers, John Archibald and Aaron Archibald. 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 assessing the claim and will be vigorously defending against the action.

Changes to outstanding CO2 GRO securities

Common shares

- (i) In September 2019, 70,000 common shares were issued on the exercise of the same number of options.
- (ii) In October 2019, 96,000 common shares were issued on the exercise of the same number of options.

Options

- (i) In September 2019, 70,000 options were exercised, raising proceeds of \$9,450. The fair value of the exercised options of \$5,896 was transferred from contributed surplus to share capital.
- (ii) In October 2019, 96,000 options were exercised, raising proceeds of \$17,250. The fair value of the exercised options of \$12,723 was transferred from contributed surplus to share capital.

Related-party transactions and balances

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

	3 months ended	
	September 30, 2019	September 30, 2018
Transactions:	\$	\$
Compensation to key management	-	-
Consulting fees to key management	22,500	43,075
Share-based payments	40,540	5,167

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As at September 30, 2019, \$45,124 (December 31, 2018 - \$280,696) is owed to officers or directors of the Company or entities controlled by them.

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Outstanding securities

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

Security	Number outstanding
Common shares	67,817,004
Options	4,355,598
Warrants	3,962,500
Finder's and Corporate Finance Warrants	300,000
