



TSX-V: CST

CO₂ Solutions Announces Fiscal 2016 Third Quarter Results

Provides update on projects and operations

Quebec City, Quebec, May 26, 2016—CO₂ Solutions Inc. (the “Corporation”) (TSX-V:CST) announced today the filing of its financial results for the third quarter ended March 31, 2016. The Corporation’s detailed financial statements and management report will be available on SEDAR at www.sedar.com.

Third quarter and subsequent highlights

- **Closed public offering of convertible secured debentures**
- **CO₂ Solutions and Mojonnier announce alliance to provide lower-cost, sustainable CO₂ to beverage industry**
- **Completion of CO₂ Solutions’ pilot operation at Valleyfield and formal release of results**
- **Quebec government to invest \$15 million to apply CO₂ Solutions carbon capture technology**
- **CCEMC grant of \$15 million**
- **SDTC grant of \$2.4 million**
- **CO₂ Solutions receives additional funding from the Government of Canada**

Following the successful completion of its 10 tonne per day demonstration project at Salaberry-de-Valleyfield in November 2015, the Corporation announced in January the findings of the project, which ran for over 2,500 hours, demonstrating the stable and effective operation of its technology under field conditions similar to those that would be encountered in a commercial setting. Other findings were:

- The Corporation’s proprietary enzyme, 1T1, performed in a stable manner;
- No toxic waste products were generated;
- Solvent consumption was negligible;
- The demonstration unit was largely operated autonomously;
- The technology produced CO₂ suitable for food, beverages and other reuse applications;
- The use of low-grade, nil value heat for solvent regeneration at low temperature was proven effective, thereby supporting the low cost claims related to the technology.

The Corporation contracted with Tetra Tech, Inc. a leading international engineering firm, for an independent review of project data related to the mass and energy balances. This review allowed the Corporation to confirm core process capture costs for a 1,250 tonne-CO₂/day (tpd) scale of \$28/tonne, in line with earlier published estimates. This cost is below the proposed Alberta carbon tax and below the United States Department of Energy’s target for new carbon capture processes. In this regard, to the knowledge of the Corporation, its technology has achieved the lowest demonstrated cost in the industry for a post-combustion carbon capture application, by a significant margin.

In May, the Corporation announced an alliance with Mojonnier Limited, a global leader in beverage industry process solutions, to provide a new, lower-cost and environmentally friendly solution to the carbonated beverage industry for its carbon dioxide (CO₂) needs. The alliance builds on CO₂ Solutions’ existing collaboration agreement with GasTran Systems (“GTS”), who licensed its technology to Mojonnier, a leading supplier of soft drink and beverage process equipment and services since 1919. Mojonnier has an established client list in the beverage industry, and will jointly market this solution with the Corporation to this sector.

In March, the Corporation announced that its technology has been selected by the government of Quebec for application in the framework of the government’s *Stratégie gouvernementale de développement durable 2015-2020* (2015-2020 Government Strategy for Sustainable Development). In its 2016-2017 Budget,

released March 17, 2016, the Quebec provincial government announced that it has allocated a budget of \$15 million over the next three years to support the creation of a consortium to promote the adoption of CO₂ Solutions' patented enzyme-enabled carbon capture technology.

In February, the Corporation announced that it has been selected to receive \$15 million in the form of a non-refundable grant from the Alberta-based Climate Change and Emissions Management Corporation (CCEMC). The grant is expected to be used towards the commercial deployment of CO₂ Solutions' technology in Alberta at approximately the 300 tonne-CO₂/day scale. It is anticipated that the Project will comprise the capture of carbon dioxide (CO₂) from a major Alberta industrial company, with beneficial reuse of the captured carbon. The reuse of the captured CO₂ will improve project economics, while at the same time achieving a considerable reduction in greenhouse gas emissions. The Corporation currently is in active negotiations with potential industrial partners to establish the project, and is pursuing non-dilutive funding for the balance (estimated at \$15 million) of the project finance.

In March, the Minister of Innovation, Science and Economic Development, the Honourable Navdeep Bains, announced that CO₂ Solutions had been selected by Sustainable Development Technology Canada (SDTC) to receive \$2.4 million in the form of a non-refundable grant. The grant is expected to be used towards the deployment of CO₂ Solutions' technology in Quebec at approximately the 30 tonnes of CO₂ captured/day scale, incorporating rotating packed bed (RPB) equipment. The intention is for the Corporation to install a unit capturing carbon from a Quebec pulp mill, with the CO₂ being reused in a neighbouring commercial greenhouse operation. The reuse of the captured CO₂ will improve project economics, while at the same time achieving a net reduction in greenhouse gas emissions.

On April 7, 2016 the Corporation announced that additional funding of \$255,000, over and above the \$350,000 that was previously announced in November 2015, was received from Natural Resources Canada's ecoENERGY Innovation Initiative. The \$605,000 additional funding is intended for use in further testing of the Corporation's proprietary carbon capture technology utilizing a rotating packed bed ("RPB") technology configuration, with the objective of demonstrating the potential of major equipment cost reductions. These tests are part of an ongoing and successful technology scale up programme, to which the Canadian Government's total contribution up to now, including the new grant, has been \$5,305,000.

Management Commentary

"The strong results of the Valleyfield demonstration project have put CO₂ Solutions firmly on the radar screen with industry and government," stated Evan Price, President and Chief Executive Officer of CO₂ Solutions. "With substantial funding towards two projects committed, and positive traction in the pursuit of non-dilutive financing for the balance of these projects, we are well on our way to bringing our technology to commercialization."

Mr. Price added, "The selection by the government of Quebec for application of our technology in the framework of the 2015-2020 Government Strategy for Sustainable Development, is further strong recognition of our value proposition of economically viable reduction of CO₂ emissions and the commercial reuse thereof. Finally, the new co-operation agreement with Mojonner, who have long-standing relationships within the beverage industry, provides us with access to what potentially is a very substantial market for our joint solution. Together we can offer the beverage industry a breakthrough approach to improve the economic and environmental sustainability of their operations, and secure their supply of beverage quality CO₂."

Summary of financial results for the three-months and the nine-months ended March 31, 2016

Revenues

The Corporation recorded no revenues for the three-month period or the nine-month period ended March 31, 2016 and 2015. Funds received from subsidy agreements signed with government agencies are not treated as revenue. Rather these amounts are accounted for as a deduction from research and development expenses in the period the contribution is claimed and accrued.

Research and development expenses

Research and development expenses, before tax credits and government assistance, decreased by \$1.7 million to \$0.4 million for the three-month period ended March 31, 2016, compared with \$2.1 million for the same period in 2015. Decreases compared to the prior year reflect the wind-down during the quarter of the work associated with the ecoENERGY project, which was started in January 2013. For the nine-month period, R&D expenditures, before tax credits and government assistance, decreased by \$1.8 million to \$2.2 million, as compared to \$4.0 million for the same period in 2015. Decreases in the nine-month period expenses are also a result of wind-down of work associated with the ecoENERGY project.

Government assistance accrued during the quarter was \$0.5 million.

Business development expenses

Business development expenses were \$0.3 million for the three-month period ended March 31, 2016, compared with \$0.2 million for the same period in 2015.

Business development expenses for the nine-month period ended March 31, 2016 were \$0.7 million, compared to \$0.4 million for the same period in 2015.

General and administrative expenses

General and administrative expenses came in at \$0.5 million for the quarter, compared with \$0.4 million for the same period in 2015.

For the nine month period, general and administrative expenses increased by \$0.3 million to \$1.6 million, compared with the same period in 2015. This net increase is attributable mainly to an increase of \$0.2 million in professional fees, primarily related to legal and professional fees associated with public relations, investor relations and communications and patent litigation.

Loss and comprehensive loss for the quarter

The Corporation recorded a loss of \$0.7 million or \$0.00 per share, for the three-month period ended March 31, 2016, a decrease of \$0.8 million from the loss of \$1.5 million, or \$0.01 per share, for the same period in 2015. No significant factors, other than those described above, contributed to the decrease in the loss for the periods. The Corporation recorded a loss of \$3.6 million or \$0.03 per share, for the nine-month period ended March 31, 2016 an increase of \$0.6 million from the loss of \$3.0 million, or \$0.03 per share, for the same period in 2015. No significant factors, other than those described above, contributed to the change in the loss for the periods.

Liquidity and Financial Position

At March 31, 2016, the Corporation had cash of \$0.7 million, accounts receivable (predominantly from Canadian government agencies) of \$1.1 million, and tax credits receivable of \$0.6 million, for a total of \$2.4 million. The Corporation had short-term financial obligations from accounts payable and accrued liabilities and short-term debts of \$1.7 million, including term loans payable but with no current portion of long-term debt. The liquidity and availability of these assets to secure additional financing are adequate for the settlement of the Corporation's short-term (less than one year) financial obligations. In addition, management can raise the additional necessary capital to meet its longer-term funding requirements and has every confidence that it will be able to raise sufficient capital to sustain its operations.

Grant of Restrictive Share Units (RSU's)

On May 26, 2016, in accordance with the terms of the RSU plan that was approved in November 2015, the Corporation's Board of Directors granted 819,168 RSU's to certain officers and employees of the Corporation. In accordance with the terms of the plan these RSU's were valued at \$0.17 per share, that being the last closing price of the Common Shares on the TSXV immediately prior to the date as at which market value of the units is determined which was May 25, 2016. The RSU's granted will vest immediately.

About CO₂ Solutions Inc.

CO₂ Solutions is an innovator in the field of enzyme-enabled carbon capture and has been actively working to develop and commercialize the technology for stationary sources of carbon pollution. CO₂ Solutions' technology lowers the cost barrier to Carbon Capture, Sequestration and Utilization (CCSU), positioning it as a viable CO₂ mitigation tool, as well as enabling industry to derive profitable new products from these emissions. CO₂ Solutions has built an extensive patent portfolio covering the use of carbonic anhydrase, or analogues thereof, for the efficient post-combustion capture of carbon dioxide with low-energy aqueous solvents. Further information can be found at www.co2solutions.com.

CO₂ Solutions Forward-looking Statements

Certain statements in this news release may be forward-looking. These statements relate to future events or CO₂ Solutions' future economic performance and reflect the current assumptions and expectations of management. Certain unknown factors may affect the events, economic performance and results of operation described herein. CO₂ Solutions undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable law.

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