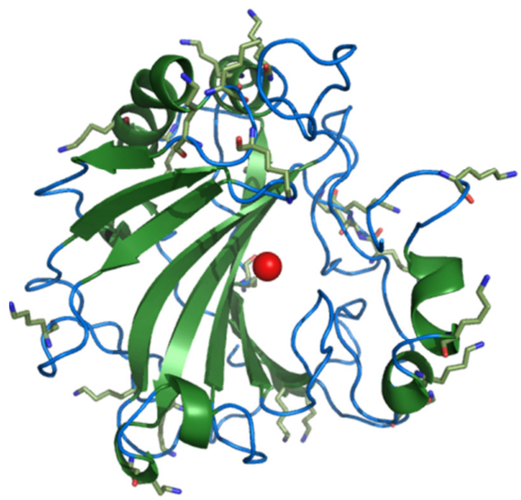
TSXV: CST

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS,
AS AT DECEMBER 31, 2013

ENZYMATIC POWER FOR CARBON CAPTURE



CO_2 SOLUTIONS

ADDITIONAL AND CONTINUOUS DISCLOSURE

This analysis was prepared on February 13, 2013. Additional disclosure is provided on the SEDAR web site at: www.sedar.com.

On behalf of management,

Thom Skinner, CPA, CA
Senior Vice President, Finance
and Chief Financial Officer

Evan Price
President and Chief Executive Officer

February 13, 2014

CO_2 Solutions Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
December 31, 2013 and 2012
(expressed in Canadian dollars)

CO_2 Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(expressed in Canadian dollars)

	As at December 31, 2013	As at June 30, 2013
	$	$
ASSETS		
Current assets		
Cash	**969,380**	348,259
Accounts receivable (note 3)	**728,090**	888,255
Tax credits receivable	**301,702**	301,702
Prepaid expenses	**27,864**	36,313
	2,027,036	1,574,529
Non-current assets		
Property, plant and equipment (note 4)	**157,763**	174,014
Patents (note 5)	**964,184**	938,582
	3,148,983	2,687,125
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**514,141**	455,499
Short-term portion on refundable contribution (note 7)	**11,286**	30,181
	525,427	485,680
Non-current liabilities		
Refundable contribution (note 7)	**194,918**	205,404
Deferred credits (note 8)	**27,633**	31,038
Convertible Debentures (note 9)	**618,152**	-
	1,366,130	722,122
SHAREHOLDERS' EQUITY		
Capital stock (note 10)	**18,868,074**	18,868,074
Stock options (note 11)	**361,144**	643,458
Conversion option attached to debentures (note 9)	**419,590**	-
Warrants (note 9 and 10)	**193,673**	768,903
Contributed surplus	**4,194,896**	3,130,985
Deficit	**(22,254,524)**	(21,446,417)
	1,782,853	1,965,003
	3,148,983	2,687,125

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

Approved by the Board of Directors

Evan Price
Director

Glenn Kelly
Director

CO_2 Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the six-month periods ended December 31, 2013 and 2012

(Unaudited)

(expressed in Canadian dollars)

	Capital stock $	Stock options $	Conversion option $	Warrants $	Contributed surplus $	Deficit $	Total $
Balance as at July 1, 2013	18,868,074	643,458	-	768,903	3,130,985	(21,446,417)	1,965,003
Stock-based compensation costs	-	12,694	-	-		-	12,694
Stock options expired	-	(295,008)	-	-	295,008	-	-
Conversion option and warrants attached to convertible debentures (note 9)	-	-	429,297	198,153	-	-	627,450
Issuance fees on conversion option and warrants attached to convertible debentures	-	-	(9,707)	(4,480)	-	-	(14,187)
Expired warrants attached to shares issue from August 2011 Private Placement	-	-	-	(768,903)	768,903	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(808,107)	(808,107)
Balance as at December 31, 2013	**18,868,074**	**361,144**	**419,590**	**193,673**	**4,194,896**	**(22,254,524)**	**1,782,853**

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

CO_2 Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Equity (continued)

For the six-month periods ended December 31, 2013 and 2012

(Unaudited)

(expressed in Canadian dollars)

	Capital stock $	Stock options $	Conversion option $	Warrants $	Contributed surplus $	Deficit $	Total $
Balance as at July 1, 2012	18,771,401	602,871	-	889,163	2,933,429	(18,903,084)	4,293,780
Stock-based compensation costs	-	31,272	-	-	-	-	31,272
Consultant fees in consideration of warrants	-	-	-	3,440	-	-	3,440
Warrants cancelled	-	-	-	(123,700)	123,700	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	(2,306,900)	(2,306,900)
Balance as at December 31, 2012	**18,771,401**	**634,143**	**-**	**768,903**	**3,057,129**	**(21,209,984)**	**2,021,592**

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

CO_2 Solutions Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and six-month periods ended December 31, 2013 and 2012
(Unaudited)

(expressed in Canadian dollars)

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Revenues				
Collaborative research and development	**127,995**	152,511	**282,143**	152,511
Costs and operating expenses:				
Research and development expenses, net (note 14)	**67,709**	1,166,097	**(88,462)**	1,213,486
Business development expenses	**90,377**	227,822	**198,825**	419,867
General and administrative expenses	**477,566**	369,697	**872,651**	831,762
Financial expenses (income), net	**67,335**	(2,021)	**107,236**	(5,704)
	702,987	1,761,595	**1,090,250**	2,459,411
Loss and comprehensive loss for the period (note 13)	**574,992**	1,609,084	**808,107**	2,306,900
Basic and diluted loss per share (note 12)	**0.01**	0.02	**0.01**	0.03

The accompanying notes are an integral part of these condensed interim consolidated financial statements and Note 13 provides other information on loss.

CO_2 Solutions Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and six-month periods ended December 31, 2013 and 2012
(Unaudited)

(expressed in Canadian dollars)

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2013	2012	**2013**	2012
	$	$	**$**	$
OPERATING ACTIVITIES				
Loss for the periods	**(574,992)**	(1,609,084)	**(808,107)**	(2,306,900)
Adjustments				
Depreciation and amortization	**79,719**	23,657	**141,256**	45,332
Stock-based compensation cost	**9,605**	17,049	**12,694**	31,272
Consultant fees in consideration for warrants	**-**	-	**-**	3,440
Interest expense on refundable contribution (note 7)	**400**	401	**800**	3,305
Interest expense on convertible debentures	**30,247**	-	**47,343**	-
Amortization of financing expenses on convertible debentures (note 9)	**1,157**	-	**1,850**	-
Accretion on convertible debentures (note 9)	**36,224**	-	**56,698**	-
Write-off of federal tax credits receivable (note 14)	**-**	1,085,683	**-**	1,085,683
	(417,640)	(482,294)	**(547,466)**	(1,137,868)
Change in non-cash working capital items				
Accounts receivable	**92,738**	18,986	**160,165**	52,932
Tax credits receivable (note 14)	**-**	(160,701)	**-**	9,844
Prepaid expenses	**1,063**	4,343	**8,449**	(1,201)
Accounts payable and accrued liabilities	**(43,304)**	(127,865)	**11,299**	(266,953)
	50,497	(265,237)	**179,913**	(205,378)
Cash flows from operating activities	**(367,143)**	(747,531)	**(367,553)**	(1,343,246)
INVESTING ACTIVITIES				
Amounts capitalized to patents	**(54,337)**	(46,141)	**(150,484)**	(101,974)
Additions to property, plant and equipment	**(1,537)**	(14,838)	**(3,528)**	(17,990)
Deferred credits	**-**	2,283	**-**	2,422
Cash flows from investing activities	**(55,874)**	(58,696)	**(154,012)**	(117,542)
FINANCING ACTIVITIES				
Convertible debentures issue (note 9)	**-**	-	**1,200,000**	-
Issuance fees on convertible debentures (note 9)	**(1,735)**	-	**(27,133)**	-
Reimbursement of refundable contribution (note 7)	**(30,181)**	-	**(30,181)**	-
Cash flows from financing activities	**(31,916)**	-	**1,142,686**	-
Net increase (decrease) in cash and cash equivalents	**(454,933)**	(806,227)	**621,121**	(1,460,788)
Cash and cash equivalents -Beginning of period	**1,424,313**	2,232,709	**348,259**	2,887,270
Cash and cash equivalents -End of period	**969,380**	1,426,482	**969,380**	1,426,482
Interest income received	**2,726**	4,804	**5,561**	14,050
Income taxes paid	-	-	-	-

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

(expressed in Canadian dollars)

1- GOVERNING STATUTE AND NATURE OF OPERATIONS

CO_2 Solutions Inc. (the "Corporation"), incorporated under Part 1A of the Companies Act (Quebec) and now governed by the Business Corporations Act (Quebec), is a high technology enterprise involved in the capture and management of carbon dioxide (CO_2). More specifically, the Corporation is currently focused on commercializing an enzyme-based enabling technology for efficient CO_2 capture from fossil fuel-power plants and other large emitters of CO_2. The Corporation intends to continue its research and development and commercialization efforts. The Corporation's operations are subject to all the inherent risks related to running an emerging high technology Corporation, such as successfully completing its research and development activities, negotiating collaborative working agreements, securing adequate financing and government support and commercialization of its enzyme technology. The Corporation is listed on the TSX Venture Exchange (TSXV:CST) and is incorporated and domiciled in Canada.

The Corporation's registered head office is located at 2300 Rue Jean-Perrin, Québec, Quebec, Canada, G2C 1T9.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, these are condensed consolidated financial statements since they do not include all the information required under IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the June 30, 2013 audited annual consolidated financial statements.

The accounting policies are in accordance with those used in the preparation of June 30, 2013 audited annual consolidated financial statements, except as described below.

Changes in accounting policies

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective July 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7 – Financial Instruments: Disclosures
IFRS 7 has been amended to enhance disclosure requirements related to offsetting of financial assets and liabilities. The amendments are applicable retrospectively for annual periods beginning on or after January 1, 2013. The Corporation adopted IFRS 7 on July 1, 2013 on a prospective basis. The Corporation has determined there is no impact related to the application of this standard.

IFRS 9 – Financial Instruments – Classification and Measurement

IFRS 9 was originally issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, ''Financial Instruments: Recognition and Measurement'', for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, being recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010. They largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income. The application of IFRS 9 is required for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Corporation has not yet begun the process of assessing the impact that this new and amended standard will have on its consolidated financial statements or whether to early adopt any of the requirements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Corporation assessed its consolidation conclusions on July 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on July 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at July 1, 2013.

The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

These condensed interim consolidated financial statements for the second quarter ended December 31, 2013 have not been subject to review by the Corporation's independent auditor.

These condensed interim consolidated financial statements have been approved by the Corporation's Board of Directors on February 13, 2014.

3- ACCOUNTS RECEIVABLE

	As at December 31, 2013	As at June 30, 2013
	$	$
Trade accounts receivable and others	**129,219**	2,952
Government assistance receivable	**547,774**	830,834
Commodity taxes receivable	**51,097**	54,469
	728,090	888,255

4- PROPERTY, PLANT AND EQUIPMENT

	Laboratory equipment and layout	**Office equipment**	**Computer equipment**	**Leasehold improvements**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
Balance as at July 1, 2012	743,875	131,458	74,821	35,539	985,693
Acquisitions	15,836	-	3,998	-	19,834
Balance as at June 30, 2013	759,711	131,458	78,819	35,539	1,005,527
Acquisitions	1,537	-	1,991	-	3,528
Balance as at December 31, 2013	761,248	131,458	80,810	35,539	1,009,055
Accumulated depreciation					
Balance as at July 1, 2012	(609,015)	(108,300)	(45,011)	(22,024)	(784,350)
Depreciation expense	(29,350)	(4,632)	(9,627)	(3,554)	(47,163)
Balance as at June 30, 2013	(638,365)	(112,932)	(54,638)	(25,578)	(831,513)
Depreciation expense	(12,224)	(1,852)	(3,926)	(1,777)	(19,779)
Balance as at December 31, 2013	(650,589)	(114,784)	(58,564)	(27,355)	(851,292)
Net book value					
June 30, 2013	121,346	18,526	24,181	9,961	174,014
December 31, 2013	110,659	16,674	22,246	8,184	157,763

5- PATENTS

	$
Cost	
Balance as at July 1, 2012	1,001,073
Costs incurred	236,679
Abandoned	(26,288)
Balance as at June 30, 2013	1,211,464
Cost incurred	150,484
Abandoned	(108,833)
Balance as at December 31, 2013	1,253,115
Accumulated amortization	
Balance as at July 1, 2012	(226,871)
Amortization expense	(72,299)
Abandoned	26,288
Balance as at June 30, 2013	(272,882)
Amortization expense	(124,882)
Abandoned	108,833
Balance as at December 31, 2013	(288,931)
Net book value	
June 30, 2013	938,582
December 31, 2013	964,184

6- BANK LOAN

As of December 31, 2013, the Corporation has an available unused authorized line of credit of $150,000, bearing interest at prime rate plus 2% and secured by a universal charge on the Corporation's assets to a maximum of $225,000. The Corporation must comply with certain financial ratios and the agreement is renewable annually. As at December 31, 2013, the Corporation was in compliance with all required ratios.

7- REFUNDABLE CONTRIBUTION

The Corporation obtained from Economic Development of Canada a refundable contribution of $250,000 of which $111,820 was received on March 31, 2011 and balance of $138,180 was received on February 7, 2012. This contribution was refundable starting in July 2013 with annual payments representing 4% of the Corporation's total annual revenues up to the total of the refundable contribution. The last payment is due and payable when ten (10) full years have passed since the date of the first payment. The total loan of $250,000 was accrued at initial recognition at fair value, using an estimated capitalization rate of 5%. The difference between the initial fair value and the principal amount of the loan was accounted for as gain on refundable contribution and was reported in

Financial income, net in the Consolidated Statements of Comprehensive Loss. Interest expense is recorded in the Condensed Interim Consolidated Statements of Comprehensive Loss for $800 for the

six-month period ended December 31, 2013 and $3,305 for the same period in 2012. As at December 31, 2013, the short-term portion payable is estimated at $11,286 and $30,181 as at June 30, 2013. The estimated short-term portion of June 30, 2013 for $30,181 was paid in December 2013.

8- DEFERRED CREDITS

	Government assistance	Tax credits	Total
	$	$	$
Cost			
Balance as at July 1, 2012	33,485	184,050	217,535
Increase	-	2,422	2,422
Balance as at June 30, 2013	33,485	186,472	219,957
Increase	-	-	-
Balance as at December 31, 2013	33,485	186,472	219,957
Accumulated amortization			
Balance as at July 1, 2012	(29,957)	(150,125)	(180,082)
Amortization	(706)	(8,131)	(8,837)
Balance as at June 30, 2013	(30,663)	(158,256)	(188,919)
Amortization	(282)	(3,123)	(3,405)
Balance as at December 31, 2013	(30,945)	(161,379)	(192,324)
Net book value			
June 30, 2013	2,822	28,216	31,038
December 31, 2013	2,540	25,093	27,633

9- CONVERTIBLE DEBENTURES

On August 9, 2013, the Corporation issued 1,200 units of the Corporation (the “Units”) at a price of $1,000 per Unit for aggregate gross proceeds of $1,200,000 (the “Offering”). Each Unit is comprised of (i) $1,000 principal amount of convertible subordinated redeemable debentures (the “Convertible Debentures”) and (ii) 4,167 common share purchase warrants (the “Warrants”). The Convertible Debentures will bear interest at a rate of 10% per annum payable annually on the anniversary date of the Convertible Debentures. Interest will be payable, at the option of the Corporation, in cash or, subject to applicable regulatory approvals, in common shares of the Corporation (the “Common Shares”) at a deemed price per share equal to the market price at the time of payment. The Convertible Debentures will be convertible at a conversion price of $0.12 per Common Share and will have a maturity date of June 30, 2016. Each Warrant will entitle its holder to acquire one Common Share at a price of $0.15 per Common Share until June 30, 2016.

In accordance with IAS 32, ‘’Financial Instruments: Presentation’’, the issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. In application of this standard, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Relative to the convertible debentures referred to above and the application of IAS 32, the fair value of the liability component of the convertible debenture has been calculated at $572,550, using an implicit rate of 47%. The balance of the gross proceeds of $1,200,000 has been prorated over the fair value of the equity components of the convertible debenture on a basis of $429,297 being allocated to the conversion option component and $198,153 being allocated to the warrants component. These fair values of the equity components of the convertible debentures were calculated using the Black-Scholes Option pricing model based on the following assumptions:

Share price	$ 0.12
Risk-free interest rate	1.25%
Expected volatility	96%
Annual dividend yield	Nil
Expected life	2.89 years

The following summarizes the face and carrying value of the liability and equity components of the Debentures as at December 31, 2013:

	Liability component		Equity components	
			Conversion option	Warrants
	Face value	Carrying value	Carrying value	Carrying value
	$	$	$	$
Balance as at issuance, August 9, 2013	1,200,000	572,550	429,297	198,153
Issuance fees	-	(12,946)	(9,707)	(4,480)
Amortization of financing expenses	-	1,850	-	-
Accretion expense	-	56,698	-	-
Balance as at December 31, 2013	1,200,000	618,152	419,590	193,673

The following summarizes the carrying value of the financing expenses included in the liability component as at December 31, 2013 and the year ended June 30, 2013:

	Six-month period ended December 31, 2013	Year ended ended June 30, 2013
	$	$
Balance-Beginning of period	**-**	-
Issued during the period	**12,946**	-
Amortization of financing expenses	**(1,850)**	-
Balance-End of period	**11,096**	-

10- CAPITAL STOCK

Authorized
Unlimited number of common shares, without par value, voting and participating

Issued and fully paid
The following table shows the changes in the Corporation's capital stock during the six-month period ended December 31, 2013 and the year ended June 30, 2013.

	Six-month period ended December 31, 2013		Year ended June 30, 2013	
	Number	**$**	Number	$
Beginning balance	**79,687,836**	**18,868,074**	79,187,836	18,771,401
Share issue from debt settlement	**-**	**-**	500,000	96,673
Ending balance	**79,687,836**	**18,868,074**	79,687,836	18,868,074

The following table shows the changes in the Corporation's warrants during the six-month period ended December 31, 2013 and the year ended June 30, 2013:

	Six-month period ended December 31, 2013		Year ended June 30, 2013	
	Number	**Average strike price $**	Number	Average strike price $
Outstanding-Beginning of period	**10,773,968**	**0.28**	11,773,968	0.28
Issued	**5,000,400**	**0.15**	-	-
Cancelled	**-**	**-**	(1,000,000)	0.24
Expired	**(10 773 968)**	**0.28**	-	-
Outstanding-End of period	**5,000,400**	**0.15**	10,773,968	0.28

On August 31, 2011 the Corporation closed a brokered private placement of 18,901,700 units at a price of $0.23 per unit. Each unit consisted of one common share of the Corporation and one-half share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share of the Corporation at a price of $0.28 per common share until August 31, 2013. Expenses related to the issue of these warrants were applied against the net proceeds of the private placement. The outstanding warrants at the beginning of the period ended December 31, 2013 are those issued in connection with the private placement of August 31, 2011 and have expired on August 31, 2013.

On August 9, 2013, the Corporation issued 1,200 units of the Corporation at a price of $1,000 per Unit for aggregate gross proceeds of $1,200,000. Each Unit is comprised of (i) $1,000 principal amount of convertible subordinated redeemable debentures and (ii) 4,167 common share purchase warrants. Each warrant will entitle its holder to acquire one common share of the Corporation at a price of $0.15 per common share until June 30, 2016.

11- STOCK OPTIONS

The Corporation has a stock option plan for directors, executives, employees and consultants. All the options granted under the terms of the plan may be exercised within a maximum five-year period commencing on the date of grant. The Board of Directors designates those individuals eligible to receive options and determines the number of common shares involved in each of these options, the vesting date, the exercise price, the expiry date, the terms of acquisition and any restrictions on the exercise of the options. In accordance with TSX-V regulations, the exercise price of share options is based on the last closing price of the shares before the date of the grant which, at the discretion of the Board of Directors, may be discounted by up to 25%. However, the exercise price may not be less than $0.05.

Under the terms of the plan, the maximum number of common shares available to be issued under the plan cannot exceed 10% of the issued and outstanding shares of capital stock. As at December 31, 2013, this amount is currently established at 7,968,784. The maximum number that may be granted to a director, executive or employee of the Corporation or to a consultant cannot exceed 5% of all the outstanding common shares.

The following table summarizes information about outstanding and exercisable stock options for the six-month period ended December 31, 2013 and the year ended June 30, 2013:

	Six-month period ended December 31, 2013		Year ended June 30, 2013	
	Number	**Weighted average exercise price $**	Number	Weighted average exercise price $
Outstanding-Beginning of period	**5,613,138**	**0.16**	5,011,530	0.19
Granted	**1,106,000**	**0.10**	1,574,500	0.11
Forfeited	**-**	**-**	(344,492)	0.21
Expired	**(2,311,838)**	**0.18**	(628,400)	0.17
Outstanding-End of period	**4,407,300**	**0.14**	5,613,138	0.16
Exercisable-End of period	**3,043,900**	**0.15**	5,110,938	0.17

As at December 31, 2013, the following outstanding stock options had been granted:

Outstanding options			Exercisable options	
Number	Weighted average exercise price	Weighted average remaining contractual life (years)	Number	Weighted average exercise price
	$			$
296,700	0.16	0.83	296,700	0.16
450,000	0.17	2.17	450,000	0.17
150,000	0.20	1.33	150,000	0.20
25,000	0.31	2.42	25,000	0.31
25,000	0.24	2.58	25,000	0.24
411,700	0.21	2.92	403,300	0.21
380,900	0.20	1.92	380,900	0.20
612,000	0.10	3.92	413,000	0.10
200,000	0.10	4.00	150,000	0.10
750,000	0.12	4.42	750,000	0.12
1,106,000	0.10	4.92	-	-
4,407,300	0.14	3.50	3,043,900	0.15

Options issued prior to November 2009 vested as follow: 20% upon granting and the remaining 80% vesting at the rate of 20% per year, over 4 years, except for options granted to the President & CEO whose vesting period was 100% upon the date of the grant, as well as for consultants for which the expenses were recognized when services were rendered.

Options issued after November 2009 generally vest at the rate of 25,000 options every 6 months, up to a maximum period of 3 years, however, at the discretion of the Board of Directors, the vesting period may be accelerated.

The fair value of the options is determined according to the Black-Scholes option pricing model based on the following weighted average assumptions:

	Employees, directors and executives	
	Six-month period ended December 31, 2013	Year ended June 30, 2013
Share price	**$ 0.100**	$ 0.107
Risk-free interest rate	**1.77%**	1.40%
Expected volatility	**99%**	106%
Annual dividend yield	**Nil**	Nil
Expected life	**5 years**	5 years
Weighted average fair value of each option granted	**$ 0.074**	$ 0.069

12- LOSS PER SHARE

The following table summarizes the basic and fully diluted weighted average number of shares outstanding used in the basic and diluted loss per share calculations.

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2013	2012	**2013**	2012
Basic and fully diluted weighted average number of shares outstanding	**79,687,836**	79,187,836	**79,687,836**	79,187,836

For the six-month periods ended December 31, 2013 and 2012, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options and warrants was not included in the calculation; otherwise the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those periods was calculated using the basic weighted average number of shares outstanding.

13- LOSS AND COMPREHENSIVE LOSS

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Revenues				
Collaborative research and development	**127,995**	152,511	**282,143**	152,511
Costs and operating expenses				
Research and development expenses, net				
Salaries, employee benefits and other compensation	**255,851**	180,237	**518,445**	364,238
Stock-based compensation costs	**3,073**	2,372	**4,059**	3,896
Professional fees	**172,654**	34,262	**339,440**	43,032
Laboratory and other supplies	**70,764**	22,667	**123,930**	33,081
	502,342	239,538	**985,874**	444,247
Tax credit (note 14)	**-**	927,263	-	774,489
Government assistance	**(434,633)**	(704)	**(1,074,336)**	(5,250)
	67,709	1,166,097	**(88,462)**	1,213,486
Business development expenses				
Salaries, employee benefits and other compensation	**51,837**	89,480	**114,794**	246,554
Stock-based compensation costs	**1,988**	7,410	**2,960**	14,478
Professional fees	**17,004**	122,104	**26,168**	139,218
Travel, entertainment, advertising and office expenses	**19,548**	8,828	**54,903**	19,617
	90,377	227,822	**198,825**	419,867
General and administrative expenses				
Salaries, employee benefits and other compensation	**193,346**	119,405	**325,567**	295,245
Stock-based compensation costs	**4,544**	7,267	**5,675**	12,898
Rent, electricity, taxes and insurance	**48,221**	45,202	**95,919**	90,201
Office expenses	**21,225**	22,606	**35,649**	36,236
Travel, entertainment and advertising	**11,824**	365	**23,939**	13,291
Tax on capital	**(74)**	(10,853)	**(186)**	(8,505)
Directors' fees	**33,076**	45,652	**63,320**	72,119
Professional fees	**85,685**	116,396	**181,512**	274,945
Depreciation of property, plant and equipment	**9,934**	12,313	**19,779**	23,536
Amortization of patents	**71,487**	13,667	**124,882**	26,214
Amortization of deferred credits	**(1,702)**	(2,323)	**(3,405)**	(4,418)
	477,566	369,697	**872,651**	831,762
Financial expenses (income), net				
Other financial expenses	**31,474**	1,114	**50,102**	5,305
Accretion on convertible debentures (note 9)	**36,224**	-	**56,698**	-
Interest income	**(2,726)**	(4,804)	**(5,561)**	(14,050)
Foreign exchange expenses	**2,363**	1,669	**5,997**	3,041
	67,335	(2,021)	**107,236**	(5,704)
	702,987	1,761,595	**1,090,250**	2,459,411
Loss and comprehensive loss for the periods	**574,992**	1,609,084	**808,107**	2,306,900

14- FEDERAL TAX CREDITS RECEIVABLE WRITE-OFF

In July 2010, a draft notice of assessment from the Canada Revenue Agency (CRA) was received by CO_2 Solution Technologies Inc. questioning its status as a Canadian-controlled private corporation (CCPC). CO_2 Solution Technologies Inc. is a consolidated variable interest entity. The draft assessment focused on the fiscal year ended June 30, 2009 and, as a consequence, research and development tax credits claimed by CO_2 Solution Technologies Inc. for that year and subsequent years included on the Corporation's balance sheet as at June 30, 2009, 2010 and 2011 have not been paid by CRA, and credits to be claimed for the year ended June 30, 2012 could be affected as well as the amounts recorded in the three-month period ended September 30, 2012. In the opinion of CO_2 Solution Technologies Inc. and the Corporation's management, these credits are receivable according to the CCPC status of CO_2 Solution Technologies Inc., and the Corporation's position was that the draft notice of assessment was unfounded and that CO_2 Solution Technologies Inc.'s position would ultimately prevail. Under the circumstances, up until the fiscal quarter ended September 30, 2012, no provision for the potential non-collectability of these federal tax credits was made in the accounts of CO_2 Solution Technologies Inc. or in the consolidated financial statements of the Corporation. However, it was recognized in the quarter ended September 2012 that future receipt of these federal tax credits depended on the successful resolution of this matter.

In December 2012, CO_2 Solution Technologies Inc. received a formal assessment related to the claimed 2009 federal tax credits. Canada Revenue Agency formally confirmed their position that CO_2 Solution Technologies Inc. did not qualify for status as a Canadian-controlled private corporation and the assessment indicated that the credits were in fact denied on that basis from fiscal year 2009. Furthermore, legal proceedings, that had been before the Canadian Tax Court relative to another company, also assessed by CRA for their CCPC status, was concluded in January 2013 in favor of CRA. Under the circumstances, in the judgment of the management of CO_2 Solution Technologies Inc., the Corporation believed it could no longer definitively conclude that it will be successful in contesting the CRA assessment received in December 2012 and has determined that the federal tax credits claimed for CO_2 Solution Technologies Inc. fiscal years ended June 30, 2009 through June 30, 2012 and federal tax credits receivable accrued in the Corporation's accounts in its 2013 fiscal year through December 31, 2012, may not be collectible. Given these new facts, in December 2012, CO_2 Solution Technologies Inc. determined it would be prudent to write off the full amount of the federal tax credits receivable amounting to $1,085,683. However, CO_2 Solution Technologies Inc. intends to continue to firmly defend its position.