private placement concluded with Codexis, in December 2009, the Company issued 10,000,000 shares for gross proceeds of $2,000,000. This amount was placed in term deposits some of which were held through the quarter ending September 30, 2011. In the balance of 2011 the cash from these term deposits was used for the Company's research and development activities.

There was no cash flow generated by financing activities for the quarter ended September 30, 2012, compared with $3,857,289 generated for the same period in 2011. The cash flow generated in the quarter ended September 30, 2011 was primarily attributable to the net proceeds from the brokered private placement completed in August 2011.

LIQUIDITY AND SOLVENCY

To date, the Company has financed its operations mainly through cash flow obtained from technology development collaborative agreements, the issuance of capital stock and government assistance.

At September 30, 2012, the Company has $ 2,232,709 in cash, $74,917 in accounts receivable and $1,522,688 in tax credits receivable or total current assets, excluding prepaid expenses, of $3,860,314 ($4,719,366 as at September 30, 2011).

The Company's access to sufficient long-term capital depends on the ability to continue to obtain government assistance to support continuing research & development of the Company's technology, continue, if required, to have access to capital markets and in the longer term to generate a profit. This will depend in part on the Company's ability to effectively commercialize its technology, the results of research and development activities, favorable market conditions, and to overall economic conditions. Investments in commercialization activities are used to generate future income; however, it is difficult to predict exactly when this income will materialize.

As at September 30, 2012 the Company benefited from credit facilities in the form of an operating line of credit of $150,000 bearing interest at prime plus 2% secured by a universal charge on the Company's assets to a maximum of $225,000. As at September 30, 2012, this operating line of credit was unused.

COMMITMENTS AND CONTINGENCIES

In July 2010, a draft notice of assessment from the Canada Revenue Agency 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 included in the Company's consolidated balance sheet as at June 30, 2009 and 2010 were refused, and credits to be claimed for the year ended June 30, 2011 and 2012 could be refused. In the opinion of CO_2 Solution Technologies Inc. and the Company's management, these credits are receivable according to the CCPC status of CO_2 Solution Technologies Inc., but their receipt depends on the successful resolution of this matter. CO_2 Solution Technologies Inc. intends to firmly defend its position since it judges that the draft notice of assessment is unfounded and that CO_2 Solution Technologies Inc.'s position will ultimately prevail. Under the circumstances, no provision for this item has been made in the accounts of CO_2 Solution Technologies Inc. or in the condensed interim consolidated statements of the Company.

INFORMATION REGARDING CAPITAL STOCK

As at November 27, 2012, the number of outstanding common shares, warrants and stock options is respectively 79,187,836, 11,773,968, and 5,011,530.

RELATED PARTY TRANSACTIONS AND OFF-BALANCE SHEET AGREEMENTS

As at September 30, 2012, the Company has recorded a $475,000 advance from a shareholder with significant influence, bearing no interest and payable under certain conditions and uncertain duration. Pursuant to the extension of the agreement with that shareholder in January 2011, repayment of this advance has now effectively been deferred at least in excess of twelve months or until certain subsequent agreements may be negotiated between the parties. The amount outstanding is classified under the heading of non-current liabilities. As at September 30, 2012, there were no other related party transactions nor were there any off-balance sheet agreements.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The condensed interim consolidated financial statements referred to herein 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, the condensed consolidated financial statements do not include all the information required under IFRS for annual consolidated financial statements. The condensed interim consolidated financial statements should be read in conjunction with the June 30, 2012 audited annual consolidated financial statements.

There have been no significant changes in the Company accounting policies and estimates since June 30, 2012. The full description of significant accounting policies and estimates are presented respectively in notes 3 and 5 of the Company's consolidated financial statements for the year ended June 30, 2012.

FUTURE ACCOUNTING CHANGES

There has been no change in future accounting changes from those previously described in the Company's June 30, 2012 MD&A.

RISK FACTORS AND UNCERTAINTIES

The Company's activities are subject to some risk factors that generally affect biotechnology companies. The profitability of the Company will depend on its ability to successfully develop its technologies, to preserve its intellectual property rights, to maintain its highly qualified personnel, to conclude strategic alliances, research and development partnerships, and strategic out-licensing agreements. These activities require important financial investments. Therefore, the Company's ability to obtain necessary liquidities to finance its activities is essential to ensure future success and is as such an additional risk factor. The reader is referred to the applicable general risk and uncertainties described in CO_2 Solutions most recent Annual Report and MD&A under the heading "Risk Factors and Uncertainties".

OUTLOOK 2012-2013

Liquidity and operational effectiveness

As noted earlier, at September 30, 2012, the Company has $2.2 million in cash. In addition, with the announced subsidies, collaboration revenues pipeline the Company is currently pursuing, favorable tax credits and its rigorous oversight of expenses, the Company should be able to continue its current projects and pursue new scale-up projects over the coming fiscal year.

Additional scale-up opportunities

The production and refining of oil and purification of natural gas represent important market opportunities for CO_2 Solutions' enzymatic technology. There are presently nearly 800 such operations worldwide, generating in excess of 800 million tons of CO_2 emissions annually.[9]

As noted earlier, of particular interest is the opportunity in the Alberta oil sands. Unconventional hydrocarbon production from the oil sands is the subject of concern by some groups due to its higher overall carbon footprint vis-à-vis conventional oil production. Further to the announcement mentioned above regarding the $500,000 grant from the Alberta CCEMC, CO_2 Solutions is presently in discussions with major oil producers in Alberta towards the scale-up, demonstration and deployment of its technology in the oil sands. Additionally, international opportunities are being explored in the oil and gas sector, including for the removal of CO_2 from natural gas streams such as is produced from shale gas fields.

We also continue to explore opportunities in the iron and steel industries. Concurrently, the Company has begun to focus on nearer-term market opportunities where the use of CO_2 and the application of our enzymatic technology could start to generate revenues sooner, opportunities that are not dependent upon regulatory changes but for which the economic drivers for capturing carbon are already there. These potential nearer-term markets include carbon capture and reuse, such as what was being explored with Alcoa; carbon separation, e.g. natural gas sweetening (removal of contaminants from native gas streams), mineral carbonation and chemical compound production.

In addition to the above, CO_2 Solutions' management team will continue to pursue a multi-pronged strategy aimed at advancing its technology development and deployment. The prime focus in the short term will be as follows:

Leveraging government funding for development and scale-up

To further support its technology validation and scale-up efforts, CO_2 Solutions has confidence that it can continue to tap into beneficial government funding programs in Canada, the U.S. and abroad, and with strategic partners. Aside from the CCEMC funds which have now been confirmed, the Company remains hopeful that the Canadian Federal Government will see the significant economic and environmental value that exists in supporting home grown, exportable carbon capture technologies such as CO_2 Solutions' that have the potential to significantly reduce the current high cost of carbon capture in Canada and internationally. In western Canada the Alberta GHG reduction process has opened up new opportunities for joint projects to manage CO_2 emissions in the oil sands sector. As announced earlier, CO_2 Solutions is actively working on partnerships to advance our technology for use in this sector. In the U.S., in addition to the ARPA-E project with Codexis, and the U.S. Department of Energy support of the Alcoa project, CO_2 Solutions will continue to pursue funding opportunities where possible for its technology, with the possibility of exploiting cross-border clean technology initiatives. The announcements made by the State of California Air Resources Board, Australia and the Canadian provinces of Alberta and Quebec, along with the Western Climate Initiative continue

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[9] IEA GHG Program

to reflect the trend of governments around the world viewing the GHG issue as critical. This trend supports our beliefs that additional regulation will be forthcoming.

Continued expansion of intellectual property dominance
As the world searches for innovative solutions to lower the current cost barrier to CO_2 capture, continued growth in industry interest in the potential of enzyme-enabled carbon capture, largely pioneered by CO_2 Solutions, has emerged as a focal point in its own right. This is particularly the case south of the border, where the United States' government has recently invested millions of dollars in enzyme-related projects. It is fortunate that the Company has a broad international patent position in the field which will both allow it to commercialize its technology and block potential competitors from entering the market. In this regard, CO_2 Solutions continues to expand its intellectual property dominance with the filing of new patents. As noted previously, the Company has announced a number of new patents that cover the use of carbonic anhydrase (CA) in any form for carbon capture from a gas stream and with any secondary or tertiary amine solvents. CO_2 Solutions leading patent position in the use of carbonic anhydrase for efficient carbon capture protects the Company's game-changing technology's position on a worldwide basis. With CO_2 Solutions portfolio of patents, the Company stands to uniquely benefit from the significant potential of this growing global market. Near-term commercial applications exist for the technology, such as the processing of various industrial gasses, as well as potential long-term markets, such as flue gas treatment in the power generation and oil industry.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its condensed interim consolidated financial statements. The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls over financial reporting to the issuers. They established the internal control over financial reporting or had it established under their supervision in order to obtain reasonable assurance about the reliability of the financial reporting and to make sure that the condensed interim consolidated financial statements were being prepared accordingly with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to its ICFR during the quarter ended September 30, 2012 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

The Company complies with the requirements of the Canadian Securities Administration Multilateral Instrument 52-109.

AUDITORS

This Management's Discussion and Analysis and the condensed interim consolidated financial statements for the three-month periods ended September 30, 2012, and 2011, have not been audited nor reviewed by the Company's external auditors.

ADDITIONAL AND CONTINUOUS DISCLOSURE

This analysis was prepared on November 27, 2012. 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

Glenn R. Kelly
President and Chief Executive Officer

November 27, 2012