

Management Discussion and Analysis

As at march 31, 2018

**THE NEW CARBON
ECONOMY**



CO2 Solutions Inc.

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1.0 INTRODUCTION

The following Management Discussion and Analysis (MD&A) of CO₂ Solutions Inc. (“**CO₂ Solutions**” or “**the Corporation**”) as of March 31, 2018, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine-month periods ended March 31, 2018 and 2017, and related notes included therein and the June 30, 2017 audited annual financial statements and the Management’s Discussion and Analysis for the year ended June 30, 2017. The June 30, 2017 audited annual financial statements, and additional information regarding the Corporation, are available on SEDAR at <https://www.sedar.com>. These unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All amounts are expressed in Canadian dollars. Management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including this MD&A, and used internally by the Corporation, is complete and reliable. The MD&A and unaudited condensed interim consolidated financial statements were reviewed by the Corporation’s Audit Committee and approved by the Corporation’s Board of Directors.

The information contained herein is dated as of May 22, 2018, the date of the approval by the Corporation’s Board of Directors of this MD&A and the unaudited condensed interim consolidated financial statements.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements concerning anticipated developments in the Corporation’s operations in future months, the adequacy of the Corporation’s financial resources and other events or conditions that may occur in the future. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “predicts”, “potential”, “targeted”, “plans”, “possible” and similar expressions, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. These forward-looking statements include, without limitation, statements about the Corporation’s market opportunities, strategies, competition, expected activities and expenditures as the Corporation pursues its business plan, the adequacy of the Corporation’s available cash resources and other statements about future events or results. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Corporation or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, such as business and economic risks and uncertainties. Some of these risks, uncertainties and other factors are described herein under the heading “Risk Factors and Uncertainties”. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. The Corporation’s forward-looking statements are based on the beliefs, expectations, and opinions of management on the date the statements are made. Consequently, all forward-looking statements made in this MD&A involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements.

Other than as required by Canadian securities laws, the Corporation undertakes no obligation to publicly update or revise any of its forward-looking statements, whether as a result of changed circumstances, new information, future events or for any other reason occurring after the date of this MD&A.

In this MD&A the term “CO₂ Solutions” and the term “Corporation” refers to CO₂ Solutions Inc., its subsidiary companies and other linked entities, directly or indirectly controlled by the Corporation.

2.0 CORPORATION OVERVIEW

CO₂ Solutions is a leading developer of proprietary technologies for carbon dioxide (CO₂) capture. More specifically, the Corporation is focused on commercializing an enzyme-based technology for efficient CO₂ capture from various industrial flue gases for reuse or sequestration.

Since its establishment, CO₂ Solutions has focused on developing its technology platform, testing, de-risking, and enhancing that technology platform and assembling a broad patent portfolio. To support this effort, the Corporation has raised capital, recruited highly qualified personnel and established strategic partnerships and alliances.

The Corporation is currently undertaking its first commercial CO₂ capture project, a 30-tonne per day capture unit in the Saint-Félicien region of the province of Quebec (the “**Saint-Félicien project**”) which was awarded in August 2016. In addition, the Corporation is also leading the world’s most comprehensive CO₂ capture and utilization demonstration project, *Valorisation Carbone Québec* (“**VCQ**”), located in Montreal-East, Quebec. These projects confirm the Corporation’s position as the leading provider of second generation carbon capture technologies. The Corporation is actively pursuing additional commercial opportunities around the world.

3.0 HIGHLIGHTS OF DEVELOPMENTS DURING AND SUBSEQUENT TO THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

Information on the Saint-Félicien Project

The Saint-Félicien project is moving ahead as expected. The engineering and procurement of long lead items are complete and the Corporation has selected the contractor, Alco TMI from Alma Quebec to build the capture unit and install it on the site at the Resolute Forest Product pulp mill in St-Félicien Quebec. The construction of the Saint-Félicien capture unit is expected to be completed by the fourth quarter of 2018, followed by a six-month period of commissioning and demonstration. After this will begin the commercial operation, which consists in providing CO₂ to Serres Toundra’s adjacent greenhouses.

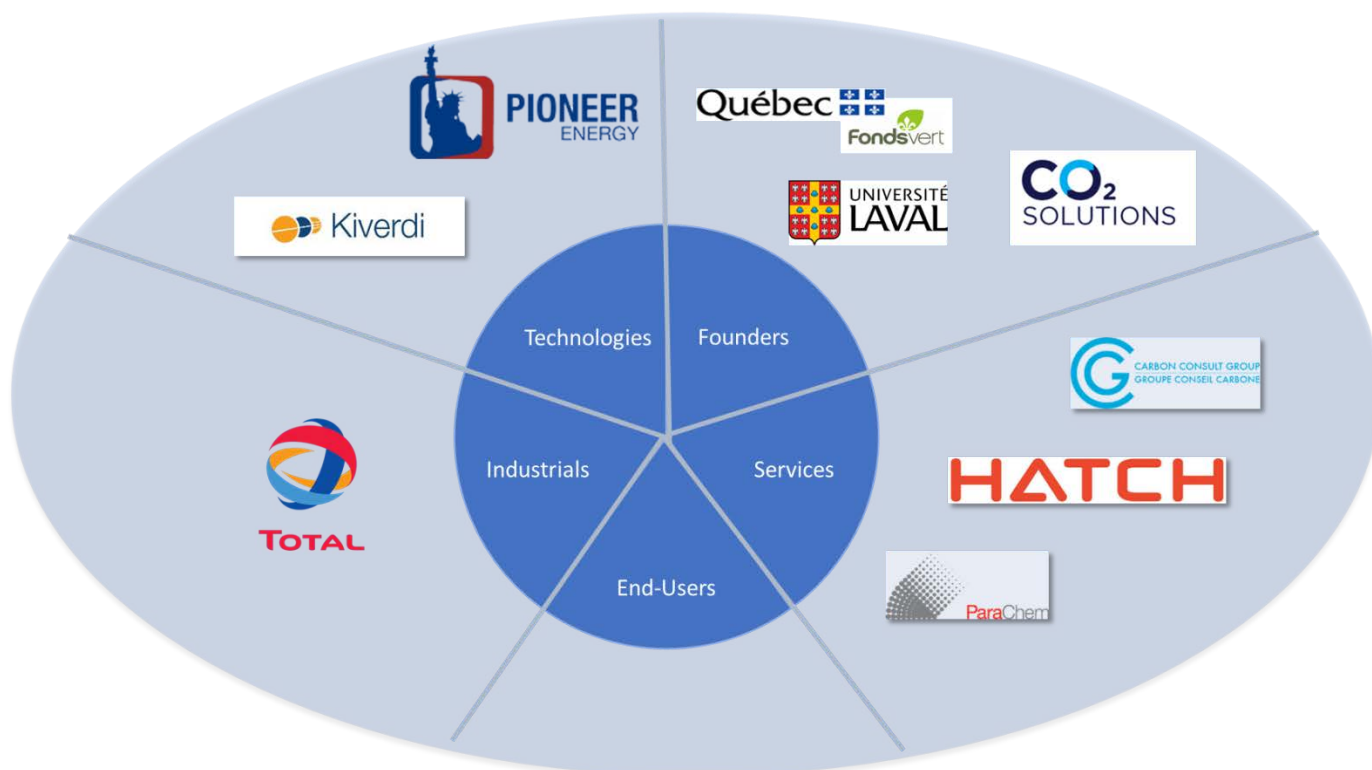
Information on the VCQ Project

The Corporation continues to lead the world’s most comprehensive CO₂ capture and utilization demonstration project, *Valorisation Carbone Québec* (“**VCQ**”). Started in February 2017, the objectives of this project are to develop and demonstrate commercially viable end-to-end solutions to capture and utilize CO₂ in various applications while reducing greenhouse gas (GHG) emissions.

In its successful first year, the VCQ project marked the following milestones:

- The creation of the management and scientific orientation committees responsible for overseeing the governance of the VCQ project were put in place. Membership of these committees is drawn from executives and scientists from industry (Suncor, Total, Hatch, CO₂ Solutions), academia (Université Laval, Polytechnique de Montréal) and the Quebec government;

- Total S.A. signed on as the VCQ project's first industrial partner (see below);
- additional industrial CO₂ utilization technology and end-use partners have been identified and discussions are currently being pursued along multiple fronts to broaden even further industry's and academia's participation in the VCQ project;
- an agreement was reached with Chimie Parachem (Parachem), a 51% subsidiary of Suncor Energy, for use of their industrial facilities in Montreal-East as the chosen VCQ demonstration site;
- a 10-tonne per day carbon capture plant utilizing CO₂ Solutions' enzymatic process in packed columns was successfully commissioned at the Parachem facilities;
- a 10-tonne rotating packed bed contactor has been ordered and is slated for delivery at the VCQ demonstration site by September 2018 to be followed by an operational demonstration;
- over 100 CO₂ utilization technologies from around the world were evaluated for their potential to effectively participate in the VCQ project;
- agreements were reached with providers of CO₂ utilization technologies converting CO₂ into methanol, dimethyl ether and protein for animals, such as Kiverdi and Pioneer Energy;
- Hatch Ltd., a major international consulting engineering and implementation firm, committed to provide engineering and other services to realize the installation of the various capture and utilization units on the Parachem site and, upon the conclusion of the demonstrations, will generate the related techno-economic reports;
- Carbon Consult Group, a leading carbon management and valorization group has agreed to join the VCQ project as a supplier of services to quantify the reduction of GHG emissions offered by the various technologies.



CO₂ Solutions Welcomes Total as an Industrial Partner in the VCQ Project

On March 27, 2018, CO₂ Solutions welcomed Total S.A., a French global integrated energy company, as the first industrial partner to the VCQ project. As illustrated above, the industrial partner category is one of five partnership types in the VCQ project. Industrial partners make financial contributions to the VCQ budget in exchange for techno-economic reports on the various technologies demonstrated in the project; the amount of these contributions is undisclosed for competitive reasons. Contributions from industrial partners enables the VCQ project to increase the number of demonstrated technologies and accelerates their eventual commercial implementation.

CO₂ Solutions Receives an Additional \$7.5M Grant to Enhance and Extend the VCQ Project until 2022

On March 28, 2018, CO₂ Solutions announced that it had received a \$7.5M grant from the province of Quebec to enhance and extend the VCQ project from its original end date of 2019 until 2022. In addition to extending the length of the project, this grant will allow the VCQ project to increase the number of utilization technologies it will demonstrate. It allows the Corporation and its partners to build on the success of the first year and realize one of the most ambitious carbon capture and utilization projects (CCU) in the world.

Success in Round 2 of the NRG COSIA XPRIZE

On April 9, 2018, CO₂ Solutions announced that two of its joint entries at the NRG COSIA XPRIZE competition had successfully passed Round 2 of the competition. These selected entries, which the Corporation had announced as joint entries in 2017, are with Carbicrete of Montreal, Quebec and CERT of Toronto, Ontario. CO₂ Solutions and these partners shared USD \$500,000 for each of the selected entries in Round 2, for a total of USD \$500,000 for CO₂ Solutions which was received in May.

4.0 SECTOR AND POTENTIAL MARKET OVERVIEW

4.1 General Overview

Approximately 80% of the current energy produced in the world comes from fossil fuels such as oil, coal and natural gas¹. This translates into increasingly higher atmospheric CO₂ concentrations well above historical figures. At the Mauna Loa National Oceanic & Atmospheric Administration Laboratory in Hawaii, annual CO₂ concentrations have been increasing by 2 to 3 ppm (parts per million) per year, and the 400-ppm threshold was reached for the first time in 2015. Since then, CO₂ concentrations have remained over the threshold at a monthly average of 407 ppm². Additionally, the vast majority of the scientific community attributes climate change to greenhouse gas generated by human activity³. In addition, recent studies show an increase of 7 centimetres in sea levels over the last 25 years and are expected to continue to rise⁴. This increase in sea levels is associated with the melting of ice sheets worldwide.

¹ U.S. Energy Information Administration, *International Energy Outlook 2017*.

² <https://www.esrl.noaa.gov/gmd/ccgg/trends/weekly.html>

³ <https://www.epa.gov/climate-indicators/greenhouse-gases>

⁴ <http://www.pnas.org/content/early/2018/02/06/1717312115>

Despite the fact that mature economies will likely decrease their carbon emissions by investing in cleaner and renewable energy sources, the demand for carbon-based energy is still expected to increase over the next decades as the growth of emerging economies will more than offset the decrease in carbon emissions of developed (OECD) countries. According to the 2017 International Energy Outlook⁵ (IEO2017) reference case, the world's estimated CO₂ emissions will continue to grow from 33.9 to 42.8 billion metric tons per year between 2015 and 2050, an overall increase of 25.5%.

The challenge for the world is to limit climate change through the reduction of GHG emissions while not damaging a global economy that is sustained by abundant fossil fuels. In order to effectively limit their CO₂ emissions, many countries, in conjunction with the 21st Conference of Parties in Paris ("COP21"), have submitted emissions reduction goals or Intended Nationally Determined Contributions (INDCs) under the United Nations Framework Convention on Climate Change (UNFCCC). Although these goals have tried to include specific details, such as investments in renewable energies, uncertainty remains with regards to how these macro objectives will translate in applicable policies and clear guidance to meet the goals. The figures expressed in the International Energy Outlook may change materially as laws and programs aimed at reducing CO₂ emissions are being implemented. In line with these objectives, recent developments have seen the United States increase the carbon capture tax credits (45Q) in their most recent budget bill. This 45Q credit is expected to drive private investments in commercial deployment of technologies to capture carbon dioxide (CO₂) from power plants and industrial facilities for enhanced oil recovery and other forms of geologic storage and for beneficial uses of CO₂. This enhanced carbon credit is, in our opinion, a strong indication of the pressures put on politicians, even from a country threatening to pull out of the Paris COP21 agreements, by industry to act in some way to reduce greenhouse gas emissions. This bodes well for the acceptance of second generation CO₂ capture and utilization technologies in North America that are proven, low-cost and environmentally friendly, such as the one provided by CO₂ Solutions.

Energy market projections are subject to much uncertainty, as the events that shape future developments in technology, demographic changes, economic trends, and resource availability that drive energy use cannot be foreseen with certainty.⁶ However, the fact remains that, in order to effectively address the climate change challenge, emissions from large stationary emitters, such as carbon-based power plants, cement plants, metal smelters, etc. must be reduced. Although we are witnessing massive investments in renewables, and it is expected that these will continue to increase, every credible indication is that fossil fuels will remain the primary energy source for decades to come. Many countries are now attempting to accelerate the development and implementation of technologies that reduce CO₂ emissions from conventional fossil fuel-based plants, technologies such as that developed and patented by CO₂ Solutions.

While, in November 2016, the Canadian Liberal government confirmed the 30% GHG emissions reduction target set by the previous government, current predictions for energy-related carbon dioxide emission growth in Canada forecast a 14% increase between 2015 and 2050.⁷ To meet the reductions objective, Canada must decrease its GHG emissions relative to the 2015 figures by approximately 28%.⁸ This will require an immediate significant change in how GHG emissions are viewed by society. (See section 4.3 Government Regulations for more details.)

Further, specific attention in 2013–2017 was directed towards Western Canada and the level of CO₂ being emitted in oil sands mining and its consequences for the overall level of Canadian greenhouse gas

⁵ U.S. Energy Information Administration, *International Energy Outlook 2017*.

⁶ Ibid

⁷ Ibid

⁸ <https://www.ec.gc.ca/indicateurs-indicators/default.asp?lang=en&n=CCED3397-1>

emissions. Alberta's plan to develop its large oil sands reserves (as much as 170 billion barrels) is viewed as an issue by those concerned with the environment.

In a low oil price scenario, production from the Alberta oil sands emits approximately 70 million metric tonnes of CO₂ per year. That would be expected to increase to 100 million metric tonnes as the price of oil recovers and the contemplated related development projects are approved.⁹ It would be expected that the recovering price of oil over the last several months would see an increase in development projects. However, we observe that the carbon levies and taxes already implemented in Alberta, as well as the contemplated increases put forward by the federal government coupled with recent divestitures in the oil sands by energy giants such as Shell¹⁰, create uncertainty thereby delaying announcements of investments in new oil projects in Alberta.

Furthermore, there is a trend in energy producers unifying their efforts in terms of clean technology development in separate entities such as the Canadian Oil Sands Innovation Alliance (COSIA) (Partner in the NRG COSIA XPRIZE) and the Oil and Gas Climate Initiative (OGCI) to better focus the money spent in developing technologies and avoid redundancy of efforts. Although this facilitates the conversations between cleantech corporations and the energy industry's investment money for the cleantech sector, it also reduces the number of sources of funding available and adds a level of complexity surrounding corporate and project investments.

The issue of oil sands GHG emissions and access to market is also impacting Western Canada's ability to sell and distribute its oil resource, slowing the increase in Canadian oil prices. Opponents to the proposed pipelines cite the potential significant increase in greenhouse gas emissions if oil sands production increases because of greater access to markets through a new pipeline. These pipeline opponents are calling for a concrete plan that will address their concerns regarding increased CO₂ emissions from oil sands crude production and safety surrounding the planned pipelines. This recently resulted in open arguments and temporary economic sanctions between Alberta and British Columbia requiring intervention from the federal government. In time, this could lead Canada, Alberta, and the oil companies to increase the efforts to capture the CO₂ generated from the oil sands mining operations and bolster the need for new cleaner technologies in order to garner public support for the pipelines.

Considering this information, the Corporation remains confident that CO₂ capture projects will be secured in Western Canada. It is the Corporation's opinion that a carbon tax at \$50 per tonne in Canada would make CO₂ Solutions' technology very appealing to Canadian GHG emitters as it is higher than the \$28 per tonne capture cost for a 1,250 tonne per day capture plant previously disclosed by the Corporation thus making the Corporation's technology a serious cost managing opportunity for large emitters.

The Corporation is also observing increased interest in its technology from the five main industry verticals that it is focusing on:

- Power
- Oil & Gas
- Cement
- Mines & Metals
- Pulp & Paper

⁹ <https://www.albertaoilmagazine.com/?p=45640&print=1>

¹⁰ <http://www.cbc.ca/news/business/shell-cnr-oilsands-1.4653007>

All of the above-mentioned industries are major CO₂ emitters, but, interestingly enough, a large number of those CO₂ emitters also use CO₂ as feedstock to their product process or offer very specific utilization opportunities. The Corporation is currently evaluating the common and individual needs and requirements of these verticals, and of certain corporations operating within them, to assess how CO₂ Solutions' proprietary technology could be implemented as a solution to reduce their GHG emissions whilst reducing the cost of the CO₂ required by their operations.

4.2 Opportunities and Applications

Carbon Capture and Utilization

CO₂ Solutions' enzyme-based technology provides an elegant solution for the capture of CO₂ from effluent gases and the production of pure CO₂ therein for utilization. Due to its physical properties, many applications for using CO₂ as an industrial gas have been developed over the years. Some uses go back centuries when fermentation of food (malt, wheat, grapes, etc.) led to the production of alcohol, wines, or beers in which CO₂ was partly re-used in the process, particularly to exclude air. Other applications for CO₂, termed second-generation, are more recent, partly as a result of the trend to use more environmentally friendly products—such as CO₂'s use as a solvent as opposed to chemical products, or to utilize CO₂ as a feedstock to produce value-added products similarly as is done in the waste industry. CO₂ utilization is exactly the objective being pursued as part of the VCQ project noted earlier.

Enhanced Oil Recovery

CO₂-based enhanced oil recovery, known as EOR, is the practice of injecting pure CO₂ into an aging oil well to re-pressurize the well and temporarily increase its production. This practice has been used for decades, originating in the Permian basin of West Texas. In the process, CO₂ mixes with crude oil (miscible phase). This phase has lower viscosity than crude oil which, combined with the increased pressure, flows to production wells, similar to the concept of a CO₂ and soda mixture released from a shaken pop bottle. This "fizzy" mixture of CO₂ and crude is separated and the CO₂ is recycled and reinjected along with further "fresh" CO₂. As a general rule, using conventional EOR techniques, for each tonne of CO₂ injected, approximately two to four barrels of additional oil are produced. In addition, approximately 30% of the injected CO₂ remains permanently sequestered.¹¹

Given declining natural CO₂ sources combined with increasing demand, oil producers worldwide are increasingly looking at anthropogenic sources, where cost-effective carbon capture technology can provide a continuing North American and international opportunity for EOR. As such, the Corporation believes that its technology is well positioned to serve this market.¹²

Given the current world price of oil, the price competitiveness of Western Canadian Oil Sands may presently be in question, thus impacting short-term expansion and decision-making regarding the adoption of new technology in the oil sands (carbon capture in general and its application to EOR). The Corporation is confident, however, that over time this potential EOR market will emerge as oil prices continue to increase and greater clarity arises on future carbon pricing.

¹¹ Alberta Innovates, Barriers to CO₂ Enhanced Oil Recovery in Alberta, October, 2013 (<http://www.ptac.org/attachments/1183/download>).

¹² Advanced Resources International, Inc., The CO₂-EOR Oil Recovery and CO₂ Utilization "Prize", April, 2014.

Beverage Carbonation

Soft drink bottlers and canners require CO₂ as an input for the carbonation of their drinks. This is a significant cost to bottlers and, in many locations, can present challenging logistics. In this context, the opportunity exists for soft drink producers to utilize CO₂ Solutions' technology to replace their purchased CO₂ with a lower cost, secure source of CO₂ which can be obtained directly from the flue gases emitted by the bottlers' own on-site boilers (those boilers being required for the making of hot water to sterilize the bottling equipment). At the same time, this CO₂ recycling operation would provide a means of improving their environmental footprint and generating potential carbon credits, if available in their respective jurisdictions.

Greenhouses

Plants absorb CO₂ during daylight hours as part of their growth cycle. Greenhouses, which by definition are controlled environments, typically seek to supplement CO₂ concentrations in the ambient air up to 1,000 ppm (from the normal level of 400 ppm) resulting in plant yields being increased by as much as 50%.¹³

CO₂ for greenhouses is often obtained by burning fossil fuels such as natural gas in specialized CO₂ generators where, after complete combustion, the flue gases are introduced directly into the greenhouse. The downsides of using natural gas is that moisture is produced during combustion, which may be disadvantageous for growing certain plants and, if combustion is incomplete, contaminants may be present in the flue gases and then in the greenhouse. Alternatively, pure CO₂ may be used. This can be supplied to greenhouses by truck in liquid form and has become popular among growers because of the elimination of the risk of crop damage, lack of moisture production, more precise control over CO₂ levels and increased flexibility to introduce the CO₂ when needed. A drawback to this approach, however, is that liquid CO₂ is typically more expensive than CO₂ generated from natural gas combustion¹⁴. The application of the Corporation's technology in the greenhouse industry is exactly what is being pursued as part of the above-noted Saint-Félicien project. CO₂ Solutions believes that its technology could solve these challenges by allowing CO₂ to be captured and concentrated at a cost lower than natural gas combustion gases on-site. As noted above, the Corporation's first commercial agreement for a carbon capture unit is in the process of being applied to the greenhouse industry.

Pulp & Paper

The utilization of CO₂ in the pulp and paper industries is widespread and includes the following main uses:

- *Regulating and stabilizing pH*
- *CO₂ Pulp-washing*
- *CO₂ for Soap Acidulation*

Most pulp and paper producers currently obtain CO₂ at a significant cost from external bulk gas suppliers. For the pulp & paper industry, CO₂ Solutions' process could be implemented to capture CO₂ from on-site boiler operations, where nil-value process heat can provide the energy for the CO₂ recovery process. The result is lower CO₂ acquisition costs, reduced dependence on external supply sources, and a lower carbon footprint of the pulp operation.

¹³ Ontario Ministry of Agriculture, Food and Rural Affairs—(<http://www.omafra.gov.on.ca/english/crops/facts/00-077.htm#cultu>)

¹⁴ Ontario Ministry of Agriculture, Food and Rural Affairs—(<http://www.omafra.gov.on.ca/english/crops/facts/00-077.htm#cultu>)

Emerging Uses of CO₂

In addition to established uses of CO₂, many novel second-generation uses are under development or early demonstration. These include algae production for making products ranging from nutraceuticals to biodiesel, the production of bioplastics, the carbonation and reuse of mineral wastes, the transformation of CO₂ into bio-chemicals and biofuels, and the integration of CO₂ into building products such as concrete and the production of animal protein, among other applications. The previously mentioned VCQ project is a showcase of the world's most promising second-generation utilization technologies and positions the Corporation at the centre of the growing CO₂ capture and utilization industry, known as CCU. Some of these emerging applications are being explored by the Corporation as part of the NRG COSIA Carbon XPRIZE competition. The Corporation believes that its technology is positioned as an ideal front-end solution to provide the lowest possible cost CO₂ feedstock required by the CCU industry.

Carbon Capture and Sequestration

With approximately 80% of global energy production currently met through the burning of carbon-based fuels, and energy consumption predicted to increase by over 40% by 2050,¹⁵ the world faces a growing challenge: how to reduce CO₂ emissions which cause climate change while not damaging a global economy dependent on fossil fuels. A central issue to this carbon emissions problem is the fact that approximately 8,200 large stationary sources of CO₂ worldwide, such as coal and natural gas-fired power plants, oil and gas production facilities and other large industrial plants generate 14.7 billion tonnes of annual emissions, or half of all total global anthropogenic CO₂ emissions.¹⁶ As such, to deal effectively with the issue of climate change, these existing large sources of emissions must be addressed. Carbon capture and sequestration is considered one of the most promising opportunities to achieve that objective. Recently, Norway announced that it was exploring the feasibility and cost of using exhausted underwater oil wells to sequester large quantities of CO₂ for Europe.¹⁷

The Corporation is discussing additional scale-up partnerships and is continuing to pursue a multi-pronged strategy aimed at advancing its technology development and deployment. The main objective in the short term will be to leverage the Corporation's internal R&D focus and efforts in view of further advancing the Corporation's technology towards commercial readiness.

4.3 Government Regulations

On January 15, 2018, the Canadian federal government released draft legislation to implement federal carbon pricing: the *Legislative Proposal Relating to the Greenhouse Gas Pollution Pricing Act* (the "GHG Pricing Act"). This was released in conjunction with details on the federal carbon pricing backstop. The federal carbon price will act as a backstop, applying only to those jurisdictions that either do not introduce carbon pricing or do not meet the benchmark set in the Pan-Canadian Framework in October 2016. For jurisdictions with explicit price-based systems, carbon pricing is to start at a minimum of \$10 per tonne in 2018, rising by \$10 a year to reach \$50 per tonne in 2022. For jurisdictions that do not implement a carbon tax or cap-and-trade system by 2018, or that do not meet the federal pricing and emissions reduction minimums, the federal government will enforce a mandatory pricing system. September 1, 2018 is the deadline set by the federal government for provinces and territories to disclose their respective programs required to meet the federal standard.

¹⁵ U.S. Energy Information Administration, *International Energy Outlook 2017*.

¹⁶ International Energy Agency (IEA) GHG Program; large source defined as >100,000 tonnes-CO₂ emissions annually.

¹⁷ <http://www.gassnova.no/en/co2-storage-contract-awarded-to-statoil>

In response to the proposed federal carbon tax, the premier of Saskatchewan is legally challenging the federal carbon backstop, arguing against the constitutionality of the federal government's right to impose a carbon tax on provinces. Furthermore, many opposition parties on the federal scene as well as in Ontario and Alberta have declared it a priority to fight against the federal Liberals' contemplated carbon tax and backstop.

Despite all the opposition and political agendas being put forward, the anthropogenic origin of climate change gains acceptance in both the scientific community and the public. The consensus that GHG reductions will be necessary one way or another grows stronger every day.

The number of jurisdictions around the world that have established, or are in the process of developing, carbon pricing mechanisms, such as cap-and-trade programs or straight carbon taxes, continues to rise, even if they do face occasional challenges from industry lobby groups and political opposition.

As noted above, in conjunction with COP21, many countries have submitted emissions reduction goals, or INDCs, under the UNFCCC. These predictions have tried to incorporate some of the specific details, such as renewable energy goals, in the forecasts; however, a great deal of uncertainty remains with regard to the implementation of policies to meet stated goals or the countries' capacity to meet the set goals. EIA's projections for CO₂ emissions may change significantly as laws and policies aimed at reducing GHG emissions are implemented and enforced, or if existing laws are enhanced, such enhancement being demonstrated by the recent US Budget Bill which significantly increases the tax credits for carbon capture. We can also observe an increase in focus and financing in mending the gap between the current trends and the required actions to be taken to meet the 2030 objective. One example of this is the Clean Growth Hub¹⁸, a new structure provided by the federal government with a mission to provide dedicated help to clean technology projects with project financing opportunities.

CO₂ Solutions believes that it is very well positioned to capitalize on this ongoing convergence of the costs associated with emitting and capturing carbon. Management believes that the reduced cost of CO₂ Solutions' carbon capture technology can contribute to reducing the cost of capture below the federally proposed carbon price of \$50 per tonne.

5.0 INTELLECTUAL PROPERTY HIGHLIGHTS

Continued Expansion of Intellectual Property

As many countries are increasing their efforts towards fighting climate change and thus reducing their CO₂ emissions, there has been a historical focus on the current carbon capture technologies. This has also led to more media coverage and news about carbon capture and related technologies and scientific breakthroughs. Specifically, the Corporation has noted an increase in the attention and enquiries that its enzyme-based technology receives from many sources.

Equipped to meet this increase in focus and activity, CO₂ Solutions holds a broad portfolio of patents in the field of enzyme-enhanced carbon capture. As at March 31, 2018, the Corporation had 57 patents issued and 37 patents pending covering the use of carbonic anhydrase with various capture solvents, and of the enzyme in different reactor configurations and in key industrial sectors such as power generation and cement.

¹⁸ <http://www.ic.gc.ca/eic/site/099.nsf/eng/home>

To date, the Corporation has been successful in fending off all challenges to its intellectual property and will continue to actively oppose any potential infringement of the CO₂ Solutions patents. It should be noted that none of the actions or potential actions taken by third parties in Europe or the United States to challenge the Corporation's intellectual property affected or would affect the Corporation's freedom to operate in any jurisdiction.

Management believes that its intellectual property portfolio is a major asset of the Corporation and will continue to promote the Corporation's efforts to commercialize carbonic anhydrase enzyme-based systems for the capture of CO₂.

CO₂ Solutions will continue to file additional patents around its proprietary technology as well as complementary processes and technology as deemed appropriate and, when challenged, will defend its intellectual property vigorously whenever and wherever necessary.

6.0 FINANCIAL REVIEW

6.1 Selected Unaudited Quarterly Information

The Corporation is in early stages of its commercialization and has not yet earned significant revenue. Until the Corporation's projected CO₂ capture plants are operational or technology licences are sold, the Corporation expects to continue to incur losses. Quarterly losses for the three-month and nine-month periods ended March 31, 2018 and 2017 are comprised of R&D, general and administrative, business development and financial expenditures. Changes in quarterly losses are dependent on the level of project activity that is ongoing net of the governmental support received.

The following tables provide a summary of certain elements of financial data regarding the Corporation for each of the last eight quarters:

	Three-month periods ended			
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenues	\$10,000	-	\$15,000	-
Loss	\$485,661	\$1,096,426	\$742,989	\$938,930
Loss per share	\$0.00	\$0.01	\$0.01	\$0.01

	Three-month periods ended			
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Revenues	\$49,028	-	-	-
Loss	\$904,386	\$1,354,003	\$1,394,149	\$1,327,463
Loss per share	0.01	\$0.01	\$0.01	\$0.01

Nine-month periods ended		
	March 31, 2018	March 31, 2017
Revenues	\$25,000	\$49,028
Loss	\$2,325,076	\$3,652,538
Loss per share	\$0.02	\$0.03

6.2 Results of Operations

Comparison between the three-month and nine-month periods ended March 31, 2018 and 2017

Revenues

The Corporation recorded \$10,000 in revenues for the three-month period ended March 31, 2018 and \$25,000 for the nine-month period ended at the same date and 49,028 for the three-month and nine-month period ended March 31, 2017. The 2018 revenues are related to a preliminary engineering study to assess the viability of applying its enzymatic carbon capture technology in a potential 32-tonne per day CO₂ capture project for the metallurgical industry as announced on September 7, 2017. The 2017 revenues related to a sale of enzymes. Funds received from subsidy or grant agreements signed with federal or provincial 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 (see *Research and development expenses* below).

Research and Development Expenses

Research and development expenses, before tax credits and government assistance, increased by \$1,566,526 to \$2,253,622 for the three-month period ended March 31, 2018, compared with \$687,096 for the same period in 2017. Increases in the three-month period from that of the prior year reflect the significant increase of work associated with the VCQ and Saint-Félicien projects. These expenses will continuously vary based upon the development phase and activity levels of ongoing projects undertaken by the Corporation.

For the nine-month period ended March 31, 2018, research and development expenditures, before tax credits and government assistance, increased by \$6,080,132 to \$7,843,569 from \$1,763,437 for the same period last year. As was the case above relative to the three-month increase, this increase reflects the higher volume of research and development activities associated with the VCQ and Saint-Félicien projects and the completion of the ecoEnergy project that occurred in December 2016.

Government assistance in the form of grants received or receivable from Transition Énergétique Québec (Technoclimat), Sustainable Development Technology Canada (SDTC), Natural Resources Canada and the Government of Quebec for the Saint-Félicien, VCQ and other internal projects amounted to \$2,087,132 for the three-month period ended March 31, 2018. For the same period in 2017, \$393,349 was recorded from SDTC, Transition Énergétique Québec (Technoclimat), Natural Sciences and Engineering Research Council of Canada (NSERC) and Government of Quebec.

Government assistance in the form of grants received or receivable from the agencies noted totalled \$7,418,734 for the nine-month period ended March 31, 2018. For the same nine-month period in 2017,

grants received from SDTC, Transition Énergétique Québec (Technoclimat), Government of Quebec and Natural Sciences and Engineering Research Council of Canada (NSERC) totalled \$422,883.

Tax credits for the three-month period ended March 31, 2018 were \$99,489 (\$125,616 in 2017). This decrease for the three-month period is a result of the fact that the tax credit calculations are adjusted to reflect the amount in eligible expenses after taking into consideration any government subsidies or grants. Generally, a higher claim to a government funding agency will usually yield a lower amount of expenses eligible for tax credits. For the nine-month period ended March 31, 2018, tax credits amounted to \$143,106, compared with \$276,140 in 2017. This decrease reflects the fact that there were less eligible expenses in 2018 than in 2017 due to a larger portion of our projects being eligible for grants and subsidies.

Business Development Expenses

Business development expenses were \$144,816 for the three-month period ended March 31, 2018, compared with \$120,401 for the same period in 2017, representing an increase of \$24,415. The net increase is predominantly related to the following:

- an increase in professional fees of \$21,799 relating to the timing of the expenses relating to patent protection;
- an increase in advertising expenses of \$57,440 due to the 2018 television commercial presented on ICI Radio-Canada; and
- a decrease in compensation, benefits and stock-based compensation of \$54,824 due to the changes in the business development team.

Business development expenses for the nine-month period ended March 31, 2018 were \$338,512 compared with \$521,248 for the same nine-month period in 2017, a net decrease of \$182,736. The net decrease is predominantly related to the following:

- a decrease in advertising expenses associated with price difference between the Corporation's 2016 Rio Summer Olympics video representations and the 2018 Canadian advertising of approximately \$78,508; and
- a decrease in compensation related expenses (cash-based salaries and benefits and non-cash-based stock compensation) of \$104,852.

General and Administrative Expenses

General and administrative expenses totalled \$510,782 for the three-month period ended March 31, 2018, compared with \$547,955 for the same period in 2017, representing a decrease of \$37,173. This net decrease is predominantly related to:

- a non-cash decrease in patent amortization expense relative to the write-down in value of certain patents of \$42,087;
- a decrease in compensation related expenses (cash-based salaries and benefits and non-cash-based stock compensation) of \$22,185;
- an increase of \$19,638 in professional fees primarily related to legal and professional fees associated with public relations, investor relations and communications and general administration; and
- an increase of \$14,800 in travel expenses and general office expenses.

General and administrative expenses totalled \$1,690,206 for the nine-month period ended March 31, 2018, compared with \$1,754,515 for the same period in 2017. This net decrease of \$64,309 is predominantly related to:

- a non-cash decrease in patent amortization expenses relative to the write-down in value of certain patents of \$185,541;
- a decrease of \$78,410 in professional fees primarily related to legal and professional fees associated with public relations, investor relations and communications and general administration;
- a net increase in compensation related expenses (cash-based salaries and benefits and non-cash-based stock compensation) of \$148,377;
- an increase in travel expenses for the nine months of \$71,251; and
- an increase in government assistance for administrative expense of \$17,927.

Financial Expenses, Net

Financial expenses, net for the three-month period ended March 31, 2018, was a gain of \$226,938, a \$343,865 difference with the \$116,927 loss for the same period last year, reflecting a gain of \$359,940 relating to the receipt of the non-interest refundable contributions from Canada Economic Development announced on December 4, 2017 offset by accretion, interest and other financial expenses. Financial expenses, net for the nine-month period ended March 31, 2018, was a loss of \$39,629 compared with a loss of \$361,389 for the same period in 2017. The decrease of \$321,760 is mainly due to the gain of \$359,940 relating to the receipt of the non-interest refundable contributions from Canada Economic Development offset by accretion, interest and other financial expenses relating to the convertible debt and term loans outstanding at March 31, 2018.

Loss and Comprehensive Loss for the Quarter

The Corporation recorded a loss of \$485,661, or \$0.00 per share, for the three-month period ended March 31, 2018, a decrease of \$418,725 from the loss of \$904,386, or \$0.01 per share, for the same period in 2017. No significant factors, other than those described above, contributed to the change in the loss for the periods. For the nine-month period ended March 31, 2018, the Corporation recorded a loss of \$2,325,076, or \$0.02 per share, a decrease of \$1,327,462 from the loss of \$3,652,538, or \$0.03 per share, for the same period in 2017. No significant factors, other than those described above, contributed to the change in the loss for the three-month or the nine-month periods.

6.3 Cash Flows

Cash totalled \$8,124,284 as at March 31, 2018, compared with \$3,028,147 as at June 30, 2017.

Variations in cash between the nine-month periods ended March 31, 2018 and 2017 are as follows:

Operating Activities

For the nine-month period ended March 31, 2018, cash flow generated by operating activities amounted to \$4,557,467 compared with \$1,107,885 generated in the same nine-month period for 2017, representing an increase of \$3,449,567 that was primarily due to a lower loss and comprehensive loss for the nine-month period ended March 31, 2018 and by a \$2,401,005 increase in net changes in non-cash working capital items.

Investing Activities

For the nine-month period ended March 31, 2018, cash flow required for investing activities totalled \$208,498, compared with \$251,084 required for the same period in 2017, a decrease of \$42,586. This decrease in the funds required for investing activities relates primarily to cost incurred for patents.

Financing Activities

For the nine-month period ended March 31, 2018, there was \$747,183 of cash flow generated from financing activities related to the issuance of debentures offset by issuance fees and reimbursement of loans and previous debentures, compared with \$878,246 cash flow generated from financing for the same period in 2017.

6.4 Liquidity and Going Concern

To date, the Corporation has financed its operations mainly through cash flow obtained from technology development collaborations, the issuance of common shares or convertible securities and government assistance.

As at March 31, 2018, the Corporation has an accumulated deficit of \$40,344,343 compared with \$37,080,337 as at March 31, 2017. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its capital and operational expense commitments related to its research and development projects as well as its general and administration expenses. As at March 31, 2018, the Corporation shows a working capital deficit of \$3,867,536 compared with \$2,018,151 at the same time last year. The working capital deficiency includes cash and cash equivalents of \$8,124,284 (\$2,609,356 in 2017) and a deferred grant of \$9,188,973 (\$2,516,222 in 2017). As at March 31, 2018, management estimates that these current funds alone would not be sufficient to allow the Corporation to continue its operations over the next twelve months. Accordingly, Management intends to raise capital through large industrial investors, private placements, public markets and additional grants, all of which, combined with the current working capital, would allow the Corporation to meet its funding requirements for the next 12 months.

Through current and ongoing negotiations with potential funding partners and provincial and federal government agencies, the Corporation's management is actively seeking to raise the necessary capital to meet its funding requirements. However, there can be no assurance that management's plans or current negotiations will be successful.

While the Corporation believes that it will be able to raise sufficient capital to sustain its operations as it has done in past years, until such time as that financing at terms acceptable to the Corporation can be confirmed or negotiations with potential funding partners are successfully concluded, the Corporation may also have to take action to limit the ongoing project and development work and reduce its operating costs. In the event that the Corporation is unable to continue its operations, amounts realized for assets may be less than amounts reflected in these consolidated financial statements. Accordingly, these conditions have resulted in an uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph.

These condensed interim consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and consolidated balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

6.5 Issued Capital

As at May 22, 2018, the number of outstanding common shares, warrants, broker units, stock options, restricted share units and deferred share units are as follows:

- Common shares: 158,591,847;
- Share purchase warrants: 54,753,946;
- Broker units: 63,350;
- Board, Officer, Consultant and Employee stock options: 8,211,500;
- Restricted share units: nil;
- Deferred share units: 1,755,944.

7.0 OFF BALANCE SHEET ARRANGEMENTS

As at March 31, 2018, the Corporation did not have any off-balance sheet arrangements.

8.0 RELATED PARTY TRANSACTIONS

As at March 31, 2018, there were no related party transactions other than those disclosed relative to the participation of certain insiders in private placements and loans to the Corporation (see below).

9.0 CRITICAL ACCOUNTING POLICIES AND ESTIMATES

9.1 Significant Management Judgments and Estimates

The Corporation's condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The full description of accounting policies and estimates are presented in the relevant section of the Corporation's audited consolidated financial statements for the financial year ended June 30, 2017.

Estimates, assumptions and judgments are continually evaluated by the Corporation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Corporation makes estimates, assumptions and judgments concerning the future. The estimates, assumptions and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below. Actual results could differ from these estimates.

9.2 Additional Information with Respect to Accounting for Intellectual Property

The determination and reflection of the value in the accounts of a biotech company and the accounting for patents related to new technological products or services generally calls for an understanding of the specific underlying science and technology and the benefits that can be derived from the application of the technology, often in very specialized markets. These determinations are normally based on judgments made by the Corporation's management who will use their knowledge of how the ownership rights of a

new technology restricts competitors from duplicating or stealing the developing Corporation's ideas and proprietary property. The proof of the technology's intrinsic value is often evidenced by the registration of a patent or patents. In the end, these proprietary rights are what will create value for the Corporation. IAS 38, "Intangible Assets", states that an intangible asset (patents) arising from the development phase of an internal project are recognized if, and only if, they meet certain criteria. If all these criteria are met, development costs are capitalized. Based on the Corporation's current operations, patents worthy of capitalization are established only when the underlying development has reached a stage where it is ready to start the process of being patented, and generally only the professional and filing fees paid to secure the patents are capitalized. Internally generated expenses or expenses in the development phase are not included in the valuation of a patent since the work, completed by internal research and development staff, would have been completed prior to applying for the patent (i.e. do not meet criteria). Items to be considered in the review of intangible assets for capitalization would include:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits. Among other things, demonstration of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- The ability to reliably measure the expenditures attributable to the intangible asset during its development.

It is the Corporation's interpretation that, in consideration of the amounts capitalized and reported on CO₂ Solutions' consolidated statements of financial position, all these criteria have been met and the Corporation has correctly capitalized these development costs and has reflected their intrinsic value towards the potential contribution to future revenues for CO₂ Solutions. CO₂ Solutions believes that it holds a broad portfolio of patents in the field of enzyme-enhanced CO₂ capture. As at March 31, 2018, the Corporation had 57 patents issued and 37 patents pending covering the use of carbonic anhydrase with various capture solvents, and of the enzyme in different reactor configurations and in key industrial sectors such as power generation and cement. Patents, obtained or pending, are recorded at cost and amortized on a straight-line basis over 20 years, which is the validity period of regular patents, and over 10 years for utility models. The periods of 20 and 10 years start at the date the patent is originally filed. The Corporation's patent portfolio is regularly reviewed for potential impairment and patents that are no longer deemed of value are written off. During the three-month period ended March 31, 2018, three patents were deemed to be without value resulting in a write-down included in general and administrative expenses in the amount of \$76,022 (\$115,415 for the nine-month period ended on March 31, 2018 for total of 6 patents).

9.3 Additional Information with Respect to Accounting for the December 2017 Issue of Debentures

On December 22, 2017, the Corporation announced the closing of a public offering. In connection with the closing of the offering, the Corporation issued 1,500 units at a price of \$1,000 per unit, representing aggregate gross proceeds of \$1,500,000. Each unit consisted of an 8% convertible unsecured debenture in the principal amount of \$1,000 and 8,333 share purchase warrants of the Corporation. Echelon Wealth Partners Inc. acted as sole agent for the offering pursuant to an agency agreement entered into between

Echelon Wealth Partners Inc. and the Corporation. In connection with this offering, the Agent was paid a cash commission of \$85,610 on December 21, 2017 and was granted 713,387 common share purchase warrants.

Each Debenture will be convertible, at the option of the holder at any time prior to the close of business on the tenth business day immediately preceding the Maturity Date, into the number of Common Shares computed on the basis of (i) an amount equal to the principal amount of the Debentures that is an integral multiple of \$1,000 principal amount divided by the conversion price of \$0.12 per Common Share (the "Conversion Price"), which is subject to adjustments in certain events, and (ii) an amount equal to the Interest that would have been payable on the Debentures from the date of conversion to the maturity date (the "Make-Whole Amount"), provided, however, that such amount will be reduced by 1% for each 1% that the Current Market Price as at the date preceding the notice of conversion exceeds the Conversion Price divided by the Current Market Price of the Common Shares on the last trading date prior to the date of conversion. The aggregate number of Common Shares to be issued upon conversion of the Debentures and for any payment of the Make-Whole Amount in Common Shares shall not exceed the number of Common Shares that is equal to the principal amount of the Debentures divided by \$0.09. Holders will also be entitled to receive accrued and unpaid Interest since the last interest payment date, payable in cash or Common Shares, at the Corporation's option. The Corporation will pay any accrued and unpaid interest that it elected to pay in Common Shares by issuing and delivering to the holder that number of fully paid and non-assessable Common Shares obtained by dividing the amount of any accrued and unpaid Interest by the Current Market Price on the last trading date prior to the date of conversion.

No holder will be entitled to convert debentures or warrants for an amount which would result in the issuance of common shares providing the holder with more than 9.9% of the issued and outstanding common shares of the Corporation. Any holder that before acquiring units already held common shares representing more than 9.9% of the issued and outstanding common shares is exempt from this restriction; however, such holder will not be entitled to convert debentures or warrants for an amount which would result in the issuance of common shares providing the holder with more than 19.9% of the issued and outstanding common shares unless disinterested shareholder approval is obtained by the Corporation in accordance with the policies of the TSX Venture Exchange. Each full warrant entitles the holder thereof to purchase one common share at the price of \$0.12 until December 20, 2020. The offering was made in the provinces of British Columbia, Alberta, Ontario and Quebec by way of a prospectus supplement to the Corporation's base shelf prospectus dated November 23, 2015. In connection with the offering, the Corporation entered into an agency agreement with Echelon Wealth Partners concurrently with the filing of the prospectus supplement. Net proceeds of the offering were used (i) to repay certain outstanding debts and (ii) for general working capital.

Certain "related parties" of the Corporation participated in the offering and subscribed for an aggregate of 397 Units. Participation of related parties of the Corporation in the offering constitutes a "related party transaction" as defined under Multilateral Instrument 61-101—Protection of Minority Security Holders in Special Transactions (Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions in Quebec) ("MI 61-101"). The offering is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101, as neither the fair market value of securities being issued to related parties nor the consideration being paid by related parties exceeds 25% of the Corporation's market capitalization. The Corporation did not file a material change report 21 days prior to the closing of the Offering as the details of the participation of the related parties of the Corporation had not been confirmed at that time.

10.0 NEW ACCOUNTING STANDARDS

There has been no change in future accounting changes from those previously described in the Corporation's June 30, 2017 annual audited consolidated financial statements and the June 30, 2017 Management Discussion & Analysis.

11.0 BUSINESS RISKS AND UNCERTAINTIES

The Corporation's activities are subject to some risk factors that generally affect biotechnology companies. The profitability of the Corporation 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 collaborations, and strategic out-licensing agreements. These activities require important financial investments. Therefore, the Corporation's ability to obtain necessary liquidity 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 CO₂ Solutions June 30, 2017 Annual Report and the related MD&A under the heading "Risk Factors and Uncertainties". In addition to those risks and uncertainties disclosed in its most recent annual report, the Corporation expects that it will continue incurring losses and consuming cash for the foreseeable future and therefore continues to require cash for operations. With no revenue from operations, the Corporation will continue to have negative cash flows from its operating activities and will likely need to raise additional capital, the availability of which cannot be assured.

12.0 DISCLOSURE AND INTERNAL CONTROLS

As at March 31, 2018, an evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures, as defined in the rules of Canadian Securities Administrators, was carried out. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operating effectiveness of those disclosure controls and procedures were effective.

Also, as at March 31, 2018, an evaluation of the design and operating effectiveness of internal controls over financial reporting, as defined in the rules of the Canadian Securities Administrators, was carried out to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with IFRS. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer of the Corporation concluded that the design and operating effectiveness of internal controls over financial reporting were effective. These evaluations were based on the framework established in Internal Control over Financial Reporting—Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission, a recognized control model, and the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that the Corporation's disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud. There were no changes in the internal controls over financial reporting that occurred during the period ended March 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

13.0 AUDITORS

The Corporation's external auditors, PricewaterhouseCoopers LLP, have audited the consolidated financial statements for the year ended June 30, 2017, and have expressed an opinion thereon. This Management's Discussion and Analysis and the condensed interim consolidated financial statements for the three-month and nine-month periods ended March 31, 2018, and 2017, have not been audited nor reviewed by the Corporation's external auditors.

14.0 ADDITIONAL AND CONTINUOUS DISCLOSURE

This analysis was prepared on May 22, 2018. Additional disclosure is provided on the SEDAR website at: www.sedar.com

On behalf of management,

[signed] Jeremie Lavoie

Jeremie Lavoie, CPA, CA
Vice President, Finance
and Chief Financial Officer

[signed] Evan Price

Evan Price
President and Chief Executive Officer