



TSX-V: CST

For Immediate Release

CO₂ Solutions Announces 2016 Fourth Quarter Results

Quebec City, Quebec, October 13, 2016 – CO₂ Solutions Inc. (the “Corporation” or “CO₂ Solutions”) (TSX-V: CST) announced today its financial results for the fourth quarter and financial year ended June 30, 2016. The Corporation’s detailed financial statements and management’s discussion and analysis (“MD&A”) will be filed on www.sedar.com.

Fourth quarter and subsequent operational highlights

- The Corporation signed its first commercial agreement with Fibrek General Partnership, a subsidiary of Resolute Forest Products Inc., and Serres Toundra Inc. for the deployment of a carbon capture unit at a pulp mill in the Saint-Félicien region of Quebec (Canada) and the commercial reuse of the CO₂ in an adjacent greenhouse.
- The Corporation was informed by the Danish Patent Office that it had decided to maintain the registered CO₂ Solutions’ utility model in its unamended form, meaning that the arguments the Corporation submitted were preferred over the competitor’s request for re-examination.
- Subsequent to the release of that decision from the Danish Patent Office, the competitor who had requested the re-examination, having lost the petition, has closed the related Danish CO₂ capture project that was allegedly infringing on CO₂ Solutions’ patent and has itself ceased operations.
- The Corporation received notice that the U.S. Patent and Trademark Office (USPTO) upheld the validity of numerous commercially significant claims related to U.S. Patent No. 8,329,458, CARBONIC ANHYDRASE BIOREACTOR AND PROCESS FOR CO₂-CONTAINING GAS EFFLUENT TREATMENT that had been challenged by a competitor. The PTAB ruled in favour of the Corporation on four of the five grounds of reviews, upholding the Corporations commercially significant claims of the patent that had been challenged and therefore such patent claims will remain in force.
- A loan agreement for up to \$500,000 was executed with Dundurn Capital Partners (“DCP”), an affiliate of Robert Manherz, a director of the Corporation
- An additional \$255,000 in funding was received from NRCan’s ecoEnergy programme for testing of a rotating packed bed-based carbon capture solution.

Management commentary

“Culminating in the signing of our first commercial deal, the past year has been one of strong progress for the Corporation,” stated Evan Price, CEO of CO₂ Solutions. “We are very proud to have achieved this very significant milestone for the use of our technology. The project is not only expected to provide a long-term revenue stream, but also will provide a reference installation. We will leverage this towards further commercial deployments and the further scale-up of our technology. Longer term we intend commercializing large-scale capture installations that will enable industry to comply viably with increasingly stringent and more costly carbon regulations, while allowing them to remain competitive.”

Summary of financial results

Revenues and net loss

No revenue was recorded for the financial years ended June 30, 2016 or 2015. The net loss for the financial year ended June 30, 2016, decreased by \$0.3 million to \$5.0 million, or \$0.04 per share, reflecting a net decrease in research and development expenditures during the year primarily related to the completion of the Corporation’s demonstration project in October 2015, offset by increases in Business Development and General and Administrative expenses.

Research and Development Expenses

Research and development expenditures, before tax credits and government assistance, fell by \$2.8 million, totalling \$2.8 million for the financial year ended June 30, 2016, as compared with \$5.6 million for the same prior year period. The decrease reflects lower expenses associated primarily with the demonstration project. Project expenses will vary based upon on-going contribution agreements, project phases, the timing thereof and the level of grant payments received relative to the project.

Government assistance for the financial year ended June 30, 2016 was \$0.6 million (\$2.8 million in 2015), a decrease from the prior financial year of \$2.2 million. This government assistance comes in the form of subsidies granted to the Corporation by the Natural Resources Canada through the ecoENERGY Innovation Initiative in support of the Corporation's carbon capture program and the accounting for these subsidies is done by way of offsetting subsidy payments receivable against overall research and development expenses.

Business Development Expenses

Business development expenses were \$1.0 million for the financial year ended June 30, 2016, compared with \$0.7 million for 2015, representing an increase of \$0.3 million, attributable primarily to the payment of \$0.5 million in professional fees relative to patent infringement disputes.

General and administrative expenses

General and administrative expenses totalled \$2.0 million for the financial year ended June 30, 2016, compared with \$1.8 million for the same period in 2015, representing an increase of \$0.2 million.

Liquidity and financial position

As at June 30, 2016, the Corporation has \$0.9 million in cash, \$0.6 million in receivables (predominately from the government of Canada) and \$0.6 million in provincial tax credits receivable in the short term for total liquid assets of \$2.1 million (\$3.8 million as at June 30, 2015).

With the receipt of the proceeds to come from the new \$0.5 million term loan arranged in August 2016, the announced additional government assistance, the potential for additional loans secured by provincial R&D tax credits, and the close monitoring of operating expenses, management believes the Corporation should have sufficient funds to meet its working capital requirements for at least the next 12 months.

Grant of Deferred Share Units (DSU's) and Restrictive Share Units (RSU's)

On October 13, 2016, in accordance with the terms of the respective DSU and RSU plans that were approved in November 2015, the Corporation's Board of Directors granted 487,157 RSU's to certain officers and employees and 442,308 DSU's to the non-executive Directors of the Corporation. In accordance with the terms of the respective plans, these DSU's and RSU's were valued at \$0.195 per share, that being the last closing price of the Corporation's Common Shares on the TSXV immediately prior to the date as at which market value of the units is determined, that date being October 12, 2016. The RSU's granted will fully vest on January 1, 2017.

A more comprehensive discussion of the Corporation's operations, financing activities as well as CO₂ Solutions' audited consolidated financial statements will be found on the Corporation's website at www.co2solutions.com and in the Corporation's filings on www.sedar.com.

About CO₂ Solutions Inc.

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

CO₂ Solutions Forward-looking Statements

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

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