CO2 Solutions Announces Fiscal 2019 Second Quarter Results and Saint-Félicien Project Update

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QUEBEC CITY, Feb. 28, 2019 - CO_2 Solutions Inc. (the "Corporation" or "CO_2 Solutions") (TSXV: CST) today announced its financial results for the three-month period ended December 31, 2018. The Corporation's detailed financial statements and management's discussion and analysis ("MD&A") will be filed and available on www.sedar.com.

Three-month Period ended December 31, 2018 and Subsequent Operational Highlights

Update on the Saint-Félicien Project

The Corporation announces that the commissioning of the CO_2 capture unit at Saint-Félicien will begin shortly. This milestone is occurring later than originally planned given the late delivery of certain components and the difficult weather conditions experienced during equipment installation this fall and winter. Currently, the Corporation estimates that, due to such delays, unforeseen equipment costs, and exchange rate variations, the total cost of the CO_2 capture unit and ancillary equipment could attain $11M, approximately $2.5M higher than the October 2017 estimate provided by the Corporation's consulting engineers. Therefore, the Corporation is evaluating financing options given its current cash situation.

The CO_2 capture unit is currently undergoing pre-operation verifications of each of the unit's systems, after which the unit is expected to begin its operation and the first tonnes of CO_2 are expected to be captured. Shortly thereafter, the Corporation expects to ramp up the overall capture rate to reach the unit's nominal capacity of 30 tonnes of CO_2 per day. Once the capture unit reaches its nominal capacity, a six-month demonstration period is expected to begin, after which the Corporation would begin generating revenues from the sale of the CO_2 to Serres Toundra. This unit will be the Corporation's second operating CO_2 capture unit and its first commercial unit. It is expected to provide several benefits to its stakeholders, from generating revenues for CO_2 Solutions, to reducing the CO_2 emissions of Resolute pulp mill and enhancing the growth of Serres Toundra's greenhouse production. The Corporation continues to attract strong interest from corporations worldwide seeking a cost effective and environmentally friendly CO_2 capture technology.

Update on the VCQ Project

The Corporation continues to lead the world's most comprehensive CO_2 capture and utilization demonstration project, Valorisation Carbone Québec (VCQ). Launched in February 2017, the objectives of this project are to develop and demonstrate commercially viable end-to-end solutions to capture and utilize CO_2 in various applications while reducing greenhouse gas ("GHG") emissions. The first CO_2 conversion technology, the conversion of captured CO_2 into methanol and then dimethyl ether, is expected to be deployed in mid-2019.

CO?Solutions Welcomes Suncor as Industrial Partner in the VCQ Project

On November 28, 2018, CO_2 Solutions announced that Suncor (TSX: SU) joined the VCQ project as its second Industrial Partner. The Industrial Partner category is one of five partnership types in the VCQ project along with the Founder, Supplier, Utilization Technology and End-Use categories. Industrial partners make financial contributions to the VCQ budget in exchange for access to the techno-economic reports covering the capture and utilization technologies and generated throughout the project. Continuous collaboration with partners is intended to ensure the success of the VCQ project and enable significant progress in the development of utilization technologies for captured CO_2.

CO?Solutions Enters into a Research Agreement with CNETE

In December 12, 2018, the Corporation announced that it had entered into a research agreement with the Collège de Shawinigan's Centre National en Électrochimie et en Technologies environnementales ("CNETE"). CNETE's expertise lies in the areas of bioprocess, membrane separation technology and electrochemistry. Under the terms of the agreement, CNETE assists the Corporation in enhancing and managing key components of its enzyme production process. The expected result is a further decrease in the Corporation's enzymatic carbon capture technology's operating costs.

Financial Update

Revenues

The Corporation recorded no revenues for the three-month periods ended December 31, 2018 and 2017. For the six-month periods ended December 31, 2018, and 2017, the corporation recorded $0 and $0.02 million respectively. For the same period in 2017, the Corporation recorded $0.02 million. 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 $4.43 million to $6.40 million for the three-month period ended December 31, 2018, compared to $1.97 million 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 vary based upon the development phase and activity levels of ongoing projects undertaken by the Corporation.

For the six-month period ended December 31, 2018, research and development expenditures, before tax credits and government assistance, increased by $5.65 million to $11.24 million from $5.59 million for the same period last year. As was the case above, this increase reflects the higher volume of research and development activities associated with the VCQ and Saint-Félicien projects.

Quebec provincial research and development tax credits accrued during the quarter were $3.55 million and $7.4 million for the 6-month period ended December 31, 2018.

General and Administrative Expenses

General and administrative expenses totalled $0.93 million for the three-month period ended December 31, 2018, compared to $0.74 million for the same period in 2017, representing an increase of $0.2 million. This net increase is predominantly related to an increase in compensation-related expenses (cash-based salaries and benefits and non-cash stock-based compensation) of $0.05 million, an increase of $0.15 million in advertising, travel and other general office expenses.

General and administrative expenses totalled $1.39 million for the six-month period ended December 31, 2018, compared to $1.18 million for the same period in 2017. This net decrease of $0.21 million is predominantly related to a net increase in travel expenses for the six month-month period of $0.15 million and $0.06 million in professional fees primarily related to legal and professional fees associated with public relations, investor relations and communications.

Loss and Comprehensive Loss for the Quarter

The Corporation recorded a loss of $3,77 million, or $0.02 per share, for the three-month period ended December 31, 2018, an increase of $2,67 million from the loss of $1,10 million or $0.01 per share, for the same period in 2017. For the six-month period ended December 31, 2018, the Corporation recorded a loss of $5,34 million or $0.03 per share, an increase of $3.50 million from the loss of $1,84, 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 three-month or the six-month periods.

Liquidity and Financial Position

As at December 31, 2018, the Corporation had an aggregate balance of cash and cash equivalents of $1.17 million and negative working capital (current assets less current liabilities) of $8.09 million.

The unaudited condensed interim consolidated financial statements for the six-month period ended December 31, 2018 and 2017, and related notes included therein and the Management's Discussion and Analysis for the period ended December 31, 2018, and additional information regarding the Corporation, are available on SEDAR at www.sedar.com.

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 December 31, 2018, the Corporation had an accumulated deficit of $45,296,161 compared to $39,858,682 as at December 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 December 31, 2018, the Corporation showed a working capital deficiency of $8,095,548 compared to $3,631,747 at the same time last year. The working capital deficiency includes cash and cash equivalents of $1,162,821 ($2,101,425 in 2017) and deferred grant of $6,017,380 ($3,553,770 in 2017). As at December 31, 2018 and currently, management estimates that these current funds alone would not be sufficient to allow the Corporation to continue its operations over the next twelve (12) months especially given the cost increase related to the Saint-Félicien project.

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. Until such time as financing at terms acceptable to the Corporation can be confirmed or negotiations with potential funding partners are successfully concluded, the Corporation may have to act to limit the ongoing project and development work and reduce its operating costs.

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.

If management is unable to obtain new funding, the Corporation may have to act to limit ongoing projects and development work and reduce its operating costs or take other measures as deemed necessary. In the case that the Corporation is unable to continue its operations, amounts realized for assets might be less than amounts reflected in the Corporation's consolidated financial statements.

The consolidated financial statements of the Corporation 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.

About CO_2 Solutions Inc.

CO_2 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. CO_2 Solutions' technology lowers the cost barrier to Carbon Capture, Utilization and Sequestration (CCUS), positioning it as a viable CO_2 mitigation tool, as well as enabling industry to derive profitable new products from these emissions. CO_2 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.

CO_2 Solutions Forward-looking Statements

Certain statements in this news release may be forward-looking. These statements relate to future events such as (i) the Corporation's projects, including their costs, progression and benefits, (ii) the Corporation's expected activities, expenditures and capital requirements, (iii) the Corporation's ability to continue as a going concern, (iv) anticipated developments in the Corporation's operations foreseeable future, (v) the adequacy of the Corporation's financial resources and (vi) other events or conditions that may occur in the future, and reflect the current assumptions and expectations of management. 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.

Factors that could cause actual results to differ materially from such forward-looking statements include, but are not limited to, (i) availability of funding, (ii) general business and economic uncertainties, (iii) third party events and adverse market conditions, as well as those risks set out in the Corporation's public documents filed on SEDAR and (iv) the adequacy of the Corporation's available cash resources. 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 news release 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.

Readers are cautioned not to place undue reliance on such forward-looking statements. CO_2 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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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SOURCE CO2 Solutions Inc.

Contact:
Investor and Media Contact: CO2 Solutions: Jérémie Lavoie, 418-842-3456, ext. 223, jeremie.lavoie@co2solutions.com