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Xebec Announces 2009 Year-End Financial Results

- Closed private placement of \$6.4 million
- Vice President of Sales and Marketing announced
- Two contracts awarded in California and South Korea for biogas upgrading plants subsequent to year-end

MONTREAL (Canada), March 29, 2010 - Xebec Adsorption Inc. (TSX: XBC) ("Xebec"), a provider of biogas upgrading, natural gas and hydrogen purification solutions for the clean energy market, today reported its 2009 financial results for the year-ended December 31, 2009. All figures in this release are in Canadian dollars.

Highlights

- In June 2009, Xebec completed a reverse takeover of QuestAir Technologies Inc. ("QuestAir") and became listed on the TSX
- For the year-ended December 31, 2009, revenue increased 11% to \$18.7 million compared to \$16.8 million for the fiscal period of 2008
- Net loss for 2009 of \$6.7 million, or \$0.42 per share, compared to net income of \$0.7 million, or \$0.08 per share, in 2008
- Closed private equity placement of \$6.4 million in November
- Awarded contracts for biogas upgrading plants in California and South Korea subsequent to year-end

Kurt Sorschak, President and CEO of Xebec said, "We made significant progress in 2009 to become a leader in the gas purification business by achieving the following five accomplishments: 1) completed the establishment of our operations in Shanghai, China, giving Xebec an increased presence in the region, as well as enabling Xebec to be a low cost producer of quality goods; 2) concluded the acquisition of QuestAir to become a stronger player in the renewable natural gas and gas purification sectors; 3) listed on the TSX under the symbol "XBC"; 4) closed a private equity offering in the gross amount of \$6.4 million; and 5) strengthened our global sales organization with regional sales offices opened in Singapore and Newcastle (UK)."

Sorschak added, "these accomplishments, coupled with recent contracts awarded in 2010 in California and South Korea for biogas upgraders, positions Xebec for long-term growth."

Financial Results

Total revenues for 2009 were \$18.7 million, up 11% compared to \$16.8 million in 2008. The growth was driven by gas purification products and engineering services, which became a part of Xebec's offerings upon the merger with QuestAir. Demand for certain products declined over the period generally due to softer market conditions, particularly in North America. However, growth was realized in other regions. Sales to Asian-based customers were helped by the presence of our Shanghai facility and the opening of a sales office in Singapore in January 2009 to serve Southeast Asian customers and support our planned expansion in the region.

The total sales order backlog is currently approximately \$8.0 million.

Net loss for 2009 was \$6.7 million or \$0.42 per share, compared to net income of \$0.7 million or \$0.08 per share for the fiscal period of 2008, reflecting a \$1.9 million decline in gross profit and a \$4.0 million increase in selling and administrative costs.

Gross profit in 2009 was \$4.2 million, down from \$6.1 million in 2008. The lower levels of gross profit and margin in 2009, compared to 2008, reflects the combined effect of higher warranty expenses and a change in the sales mix, with a greater proportion of lower margin products being sold in 2009.

Selling and administrative expenses were \$8.8 million in 2009 compared to \$4.8 million in 2008. The year-over-year increase is attributable to increases in staff and office facilities as a result of the QuestAir merger, the addition of office facilities in Shanghai, Singapore and Newcastle to support planned growth and additional costs associated with being a public company.

Cash and cash equivalents totalled \$5.4 million on December 31, 2009.

New Business

Xebec' shift in strategic focus has yielded two contracts in early 2010 for Xebec's new biogas upgrading equipment.

Xebec was awarded a contract in California to supply and install a biogas upgrading plant to upgrade approximately 400 normal cubic meters per hour (NCMH) of raw biogas to pipeline grade biomethane. Commissioning and start-up of this plant is expected to take place in the latter half of 2010. Terms of the agreement were not disclosed.

Another contract was awarded to Xebec from Halla Energy and Environment ("Halla") for a biogas upgrading plant to be used in a biogas project currently being developed by the Sudokwon Landfill Corporation in Seoul, Korea. The Xebec plant will purify biogas produced from food waste, producing high quality renewable compressed natural gas (CNG) to be used as vehicle fuel. Renewable CNG produced from the project will be used to fuel the City of Seoul's fleet of low-emission CNG buses from an existing CNG station at the Sudokwon landfill site. Halla will provide on-site civil engineering, construction and project management services for the Sudokwon project. Commissioning and start-up of the upgrading plant is expected to take place in the latter half of 2010. Terms of the agreement were not disclosed.

Xebec's biogas upgrading equipment was recently recognized for its key technology contribution to an EPA award-winning renewable energy project at the University of New Hampshire.

Technology

Xebec has been developing two important new products for their clean energy business; a low energy / high recovery Rapid Cycle PSA M-8100 for Biogas Upgrading, and a large capacity M-3200 system for single stage separation of N₂, O₂, and CO₂ from land-fill gas. The M-8100 development has benefitted in 2009 from funding from the Canadian Government Industrial Research Assistance Program. This new product brings together all elements of the proprietary Xebec technology into a compact, efficient, rotating structured bed, rapid cycle device. By comparison, the M-3200 single stage system with N₂ and O₂ separation capability was developed as a process modification that takes maximum advantage of the established Xebec nine bed beaded system with rotary valve design. Both novel separations were tested in the state-of-the-art process laboratory at the Xebec Technology Centre.

Corporate Developments

Xebec announced the appointment of Mr. John Fyfe as Vice President, Sales and Marketing effective January 4, 2010. Mr. Fyfe will be responsible for building and executing a global sales strategy to support Xebec's growth objectives in 2010 and beyond.

Outlook

In the short and medium term, the future for renewable energy is very positive. Green energy initiatives are moving up the agendas of municipal, provincial and federal governments worldwide. Corporations and consumers are increasingly looking for green energy solutions to protect the environment. We are confident that Xebec, with its complementary product lines, strong customer relationships, global footprint and low-cost manufacturing and supply chain, is well positioned to respond to this growing demand.

Our immediate efforts are focused on the acceleration of new business development. With the integration of QuestAir, Xebec is well positioned to capture market share in the expanding biogas upgrading market.

While some of our target markets were soft in the latter part of 2009, we are seeing signs of increased activity across all business segments, especially for renewable energy projects in the U.S., South Korea, China, Germany, the UK, and Canada.

2009 Year-End Results Available

The complete financial statements, notes to financial statements, and management's discussion and analysis for the twelve-month period ended December 31, 2009 are available on Xebec's website at www.xebecinc.com. These documents are also accessible on the SEDAR website at www.sedar.com.

Conference Call and Webcast Notice

Xebec will host a conference call and webcast to discuss its 2009 year-end financial results on Tuesday, March 30, 2010 at 11:00 a.m. EST. The dial-in number for the conference call is 1-800-697-8232 (Canada and United States) or 416-359-1270 (International). If you are unable to participate in the conference call, a replay will be available starting that same day at 1:00 p.m. EST by dialing 1-800-558-5253 (Canada and United States) or 416-626-4100 (International) and entering passcode #21462039, until April 6, 2010 at midnight. The webcast will be available on Xebec's website for 90 days.

About Xebec Adsorption Inc.

Xebec Adsorption Inc. is a global provider of clean energy solutions to corporations and governments looking to reduce their carbon footprints. With more than 1300 customers worldwide, Xebec designs, engineers and manufactures innovative products that transform raw gases into marketable sources of clean energy. Xebec's strategy is focused on establishing leadership positions in markets where demand for biogas upgrading, natural gas dehydration and hydrogen purification is growing. Headquartered in Montreal (QC), Xebec is a global company with two state-of-the-art manufacturing facilities in Montreal and Shanghai, a R&D facility in Vancouver (BC) as well as a sales and distribution network in North America, Asia and Europe. Xebec trades on the TSX under the symbol XBC. For additional information on the company and its products and services, please visit the Xebec web site at www.xebecinc.com.

Caution Concerning Forward-Looking Statements

Certain statements in this press release may constitute "forward-looking" statements within the meaning of applicable securities laws. This forward looking information includes, but is not limited to, the expectations and/or claims of management of Xebec with respect to information regarding the business, operations and financial condition of Xebec. Forward-looking information contained in this press release involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Xebec or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. This list is not exhaustive of the factors that may affect forward-looking information contained in this press release. When used in this press release, such statements use such words as "anticipate", "believe", "plan", "estimate", "expect", "intend", "may", "will" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this presentation. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements.

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Consolidated Balance Sheets

As at December 31, 2009 and 2008

	2009 \$	2008 \$ (Restated)
Assets		
Current assets		
Cash	5,447,702	550,377
Accounts receivable	3,105,834	4,538,842
Inventories	2,867,922	2,579,877
Prepaid expenses	183,564	221,143
Income taxes receivable	62,492	-
Investment tax credits receivable	80,843	258,785
Current portion of the loan to a joint venture	37,777	-
Derivative financial assets	-	229,906
	<hr/> 11,786,134	<hr/> 8,378,930
Loan to a joint venture , bearing interest at 7.93%, repayable by minimum annual instalments of \$37,777 plus accrued and unpaid interest and maturing on July 1, 2012	75,554	-
Property, plant and equipment	2,604,931	1,822,209
Intangible assets	279,046	148,319
Restricted cash	223,261	324,577
Goodwill	5,942,152	-
	<hr/> 20,911,078	<hr/> 10,674,035
Liabilities		
Current liabilities		
Bank loan	496,900	1,760,931
Accounts payable and accrued liabilities	5,578,505	4,320,860
Deferred revenues	146,228	679,938
Income taxes payable	-	268,194
Current portion of long-term debt	321,653	230,186
Current portion of subordinated loan	62,496	-
Future income taxes	-	99,070
Derivative financial liabilities	96,645	-
	<hr/> 6,702,427	<hr/> 7,359,179
Long-term debt	1,763,496	1,874,087
Government assistance	37,083	42,083
Subordinated loan	156,256	250,000
Future income taxes	-	23,545
	<hr/> 8,659,262	<hr/> 9,548,894
Shareholders' Equity		
Share capital	17,942,821	300,100
Contributed surplus	216,368	-
Retained earnings (deficit)	(5,907,373)	825,041
	<hr/> 12,251,816	<hr/> 1,125,141
	<hr/> 20,911,078	<hr/> 10,674,035

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
		(Restated)
Revenues	18,693,788	16,840,622
Cost of goods sold	14,462,614	10,700,381
Gross margin	<u>4,231,174</u>	<u>6,140,241</u>
Operating expenses		
Research and development	1,080,638	108,865
Selling and administrative	8,783,201	4,754,017
Financial	233,862	348,106
Foreign exchange loss (gain)	518,319	(239,402)
Amortization	527,389	194,381
	<u>11,143,409</u>	<u>5,165,967</u>
Income (loss) before income taxes	<u>(6,912,235)</u>	<u>974,274</u>
Provision for (recovery of) income taxes		
Current	(57,206)	249,746
Future	(122,615)	72,576
	<u>(179,821)</u>	<u>322,322</u>
Net income (loss) and comprehensive income (loss) for the year	<u>(6,732,414)</u>	<u>651,952</u>
Income (loss) per share		
Basic and diluted	<u>(0.42)</u>	<u>0.08</u>

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

	2009 \$	2008 \$ (Restated)
Cash flows from		
Operating activities		
Net income (loss) for the year	(6,732,414)	651,952
Items not affecting cash		
Amortization of property, plant and equipment	465,261	145,435
Amortization of intangible assets	62,128	48,946
Unrealized foreign exchange loss (gain) on derivative financial assets	326,551	(229,906)
Stock-based compensation expense	24,601	-
Future income taxes	(122,615)	72,576
	<hr/>	<hr/>
	(5,976,488)	689,003
Changes in non-cash working capital components relating to operations		
Accounts receivable	2,888,309	(3,281,660)
Inventories	1,923,637	(1,525,746)
Prepaid expenses	210,933	74,515
Investment tax credits receivable	177,942	(258,785)
Accounts payable and accrued liabilities	(149,782)	3,009,198
Deferred revenues	(1,988,725)	209,398
Income taxes receivable/payable	(330,686)	222,580
	<hr/>	<hr/>
	(3,244,860)	(861,497)
Investing activities		
Acquisition of property, plant and equipment	(308,760)	(624,402)
Acquisition of intangible assets	(192,855)	(113,372)
Transaction costs paid on acquisition of a business	(1,095,708)	-
Cash acquired on acquisition of a business	5,122,028	-
Loan to a joint venture	(134,208)	-
Government assistance	(5,000)	(5,000)
	<hr/>	<hr/>
	3,385,497	(742,774)
Financing activities		
Issuance of capital stock and warrants	6,439,050	-
Issuance costs of shareholders' equity instruments	(552,752)	-
Increase (decrease) in bank loan	(1,264,031)	1,760,931
Loan to a joint venture	20,877	-
Long-term debt	289,402	193,387
Repayment of long-term debt	(326,788)	(102,100)
Payment of obligations under capital leases	(12,986)	(11,981)
Restricted cash	163,916	(64,382)
	<hr/>	<hr/>
	4,756,688	1,775,855
Increase in cash during the year	4,897,325	171,584
Cash – Beginning of year	<hr/>	<hr/>
	550,377	378,793
Cash – End of year	<hr/>	<hr/>
	5,447,702	550,377

Supplemental cash flow information