

# **Xebec Adsorption Inc.**

Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

The Condensed Interim Consolidated Financial Statements which are included in this Report have not been subject to a review by the Company's External Auditors.

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(expressed in Canadian dollars)

	As at June 30, 2014 \$	As at December 31, 2013 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,269,820	2,835,051
Restricted cash	140,725	-
Trade and other receivables	2,179,944	2,915,700
Inventories	1,353,540	1,539,180
Short-term portion of balance of sale	200,000	300,000
Investment tax credits receivable	155,000	137,760
Other current assets	819,124	559,001
<b>Total current assets</b>	<b>6,118,153</b>	<b>8,286,692</b>
<b>Non-current assets</b>		
Balance of sale	-	200,000
Property, plant and equipment (Note 3)	321,127	310,576
Intangible assets (Note 4)	727,123	809,513
Goodwill (Note 4)	142,616	142,616
<b>Total non-current assets</b>	<b>1,190,866</b>	<b>1,462,705</b>
<b>Total assets</b>	<b>7,309,019</b>	<b>9,749,397</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank loan	125,633	370,000
Trade payables	3,411,067	3,429,420
Accrued liabilities	621,179	805,563
Deferred revenues	1,139,104	1,342,794
Current portion of long-term debt and obligation	67,399	67,176
Current portion of government royalty program obligation	265,994	259,636
Provisions	526,955	489,742
<b>Total current liabilities</b>	<b>6,157,331</b>	<b>6,764,331</b>
<b>Non-current liabilities</b>		
Long-term debt and obligation	16,731	50,476
Government royalty program obligation	452,082	586,825
Government assistance	14,583	17,083
Deferred rent	72,556	59,364
Provisions	98,221	312,330
<b>Total non-current liabilities</b>	<b>654,173</b>	<b>1,026,078</b>
<b>Total liabilities</b>	<b>6,811,504</b>	<b>7,790,409</b>
<b>Equity</b>		
Share capital	19,732,623	19,732,623
Contributed surplus	2,407,421	2,388,063
Accumulated other comprehensive loss	(186,179)	(313,486)
Deficit	(21,709,160)	(20,131,974)
<b>Total equity</b>	<b>497,515</b>	<b>1,958,988</b>
<b>Total liabilities and equity</b>	<b>7,309,019</b>	<b>9,749,397</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**Approved by the Board of Directors**

*(signed)* Kurt Sorschak Director

*(signed)* Jean Bedard Director

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements of Income (Loss)

For the three-month and six-month period ended June 30, 2014 and 2013

(Unaudited)

(expressed in Canadian dollars)

	2014 \$	2013 \$	2014 \$	2013 \$
<b>Revenue</b>	3,521,039	2,744,601	6,148,267	6,569,540
<b>Cost of goods sold</b>	<u>2,530,100</u>	<u>2,296,696</u>	<u>4,516,680</u>	<u>5,741,824</u>
<b>Gross margin</b>	<u>990,939</u>	<u>447,905</u>	<u>1,631,587</u>	<u>827,716</u>
Research and development expenses	(41,946)	(79,597)	84,372	(21,624)
Selling and administrative expenses	1,603,351	1,456,455	3,019,299	2,898,638
Foreign exchange (gain) loss	122,393	(143,043)	68,160	(213,311)
Gain on disposition of assets	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
	<u>1,683,798</u>	<u>733,815</u>	<u>3,171,831</u>	<u>2,163,703</u>
Operating Loss	<u>(692,859)</u>	<u>(285,910)</u>	<u>(1,540,244)</u>	<u>(1,335,987)</u>
<b>Finance income</b>	( 5,292)	( 4,312)	(11,396)	(8,941)
<b>Finance expense</b> (note 7)	<u>50,439</u>	<u>99,987</u>	<u>84,388</u>	<u>135,777</u>
<b>Finance costs – net</b>	<u>45,147</u>	<u>95,675</u>	<u>72,992</u>	<u>126,836</u>
<b>Net loss for the period</b>	<u>(738,006)</u>	<u>(381,585)</u>	<u>(1,613,236)</u>	<u>(1,462,823)</u>
<b>Earnings (loss) attributable to:</b>				
Shareholders of the Company	(737,368)	(376,077)	(1,577,186)	(1,486,961)
Non-controlling interest	<u>(638)</u>	<u>(5,508)</u>	<u>(36,050)</u>	<u>24,138</u>
	<u>(738,006)</u>	<u>(381,585)</u>	<u>(1,613,236)</u>	<u>(1,462,823)</u>
<b>Earnings (loss) per share</b>				
Basic (Note 5)	(0.02)	(0.01)	(0.04)	(0.04)
Diluted (Note 5)	<u>(0.02)</u>	<u>(0.01)</u>	<u>(0.04)</u>	<u>(0.04)</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## **Xebec Adsorption Inc.**

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the three-month and six-month period ended June 30, 2014 and 2013

(Unaudited)

(expressed in Canadian dollars)

	2014 \$	2013 \$	2014 \$	2013 \$
<b>Net loss for the period</b>	(738,006)	(381,585)	(1,613,236)	(1,462,823)
<b>Other comprehensive income</b>				
Cumulative translation adjustment	<u>160,288</u>	<u>(128,854)</u>	<u>132,405</u>	<u>(181,740)</u>
<b>Comprehensive loss for the period</b>	<u>(577,718)</u>	<u>(510,439)</u>	<u>(1,480,831)</u>	<u>(1,644,563)</u>
<b>Attributable to:</b>				
Shareholders of the Company	(570,809)	(508,531)	(1,449,879)	(1,673,991)
Non-controlling interest	<u>(6,909)</u>	<u>(1,908)</u>	<u>(30,952)</u>	<u>29,428</u>
	<u>(577,718)</u>	<u>(510,439)</u>	<u>(1,480,831)</u>	<u>(1,644,563)</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

(Unaudited)

(expressed in Canadian dollars)

	Number		Amount						
	Common shares	Warrants	Share capital – Common shares and warrants \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Equity attributable to the Company \$	Non-controlling interest \$	Total \$
<b>Balance – January 1, 2013</b>	39,363,867	10,091,886	19,732,623	2,316,580	(48,870)	(20,528,866)	1,471,467	265,872	1,737,339
Net loss for the period	-	-	-	-	-	(1,486,961)	(1,486,961)	24,138	(1,462,823)
Other comprehensive income (loss)	-	-	-	-	(187,030)	-	(187,030)	5,290	(181,740)
Comprehensive income (loss) for the period	-	-	-	-	(187,030)	(1,486,961)	(1,673,991)	29,428	(1,644,563)
Share-based compensation	-	-	-	70,961	-	-	70,961	-	70,961
<b>Balance – June 30, 2013</b>	39,363,867	10,091,886	19,732,623	2,387,541	(235,900)	(22,015,827)	(131,563)	295,300	163,737
<b>Balance – January 1, 2014</b>	39,363,867	10,091,886	19,732,623	2,388,063	(313,486)	(20,131,974)	1,675,226	283,762	1,958,988
Net loss for the period	-	-	-	-	-	(1,577,186)	(1,577,186)	(36,050)	(1,613,236)
Other comprehensive income	-	-	-	-	127,307	-	127,307	5,098	132,405
Comprehensive income (loss) for the period	-	-	-	-	127,307	(1,577,186)	(1,449,879)	(30,952)	(1,480,831)
Share-based compensation	-	-	-	19,358	-	-	19,358	-	19,358
<b>Balance – June 30, 2014</b>	39,363,867	10,091,886	19,732,623	2,407,421	(186,179)	(21,709,160)	244,705	252,810	497,515

Accumulated other comprehensive income relates solely to cumulative translation adjustments.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements of Cash Flows

For the three-month and six-month period ended June 30, 2014 and 2013

(Unaudited)

(expressed in Canadian dollars)

	2014 \$	2013 \$	2014 \$	2013 \$
<b>Cash flows from</b>				
<b>Operating activities</b>				
Net loss for the period	(738,006)	(381,585)	(1,613,236)	(1,462,823)
Items not affecting cash				
Amortization of property, plant and equipment	22,328	25,150	42,761	50,485
Amortization of intangible assets	42,563	42,312	84,929	84,609
Gain on disposition of intangible assets	-	(500,000)	-	(500,000)
Gain on debt forgiveness	(2,621)	-	(12,624)	(1,034)
Government assistance	(1,250)	(1,250)	(2,500)	(2,500)
Deferred rent	6,596	6,596	13,192	13,192
Accretion and revaluation of government royalty program obligation	9,077	68,525	18,615	76,673
Stock-based compensation expense	19,358	66,824	19,358	70,961
	<u>(641,955)</u>	<u>(673,428)</u>	<u>(1,449,505)</u>	<u>(1,670,437)</u>
Changes in non-cash working capital components related to operations (note 8)	<u>( 1,267,343)</u>	<u>( 813)</u>	<u>(121,243)</u>	<u>451,319</u>
	<u>(1,909,298)</u>	<u>(674,241)</u>	<u>(1,570,748)</u>	<u>(1,219,118)</u>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(38,528)	(25,323)	(54,594)	(25,323)
Acquisition of intangible assets	(2,651)	-	(2,651)	-
Proceeds from disposal of assets	-	500,000	-	504,918
Balance of sale	-	-	300,000	300,000
	<u>(41,179)</u>	<u>474,677</u>	<u>242,755</u>	<u>779,595</u>
<b>Financing activities</b>				
Increase (decrease) of bank loan	(244,367)	107,900	(244,367)	333,048
Repayment of long-term debt	(10,527)	(12,841)	(33,522)	(38,142)
Repayment of government royalty program obligation	(24,500)	(60,000)	(98,000)	(60,000)
	<u>(279,394)</u>	<u>35,059</u>	<u>(375,889)</u>	<u>234,906</u>
Effect of exchange rate changes on cash	167,268	(134,776)	138,651	(189,902)
<b>Decrease in cash and cash equivalent during the period</b>	<u>(2,062,603)</u>	<u>(299,281)</u>	<u>(1,565,231)</u>	<u>(394,519)</u>
<b>Cash and cash equivalent – Beginning of period</b>	<u>3,332,423</u>	<u>1,248,876</u>	<u>2,835,051</u>	<u>1,344,114</u>
<b>Cash and cash equivalent – End of period</b>	<u>1,269,820</u>	<u>949,595</u>	<u>1,269,820</u>	<u>949,595</u>
<b>Additional information</b>				
Interest paid	41,362	31,413	65,773	58,992

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

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### **1 Nature of business**

#### a) Nature of business

Xebec Adsorption Inc. (“Xebec” or the “Company”) is a global provider which specializes in the design and manufacture of cost-effective, environmentally responsible, purification, separation, dehydration, and filtration equipment for gases and compressed air. Xebec’s main product lines are: Biogas Plants for the purification of biogas from agricultural digesters, landfill sites and waste water treatment plants, Natural Gas Dryers for NGV refuelling stations, Associated Gas Purification Systems which enable diesel displacement on drilling sites, and Hydrogen Purification Systems for fuel cell and industrial applications. The Company is incorporated and domiciled in Canada and is listed on the TSX Venture Exchange under the symbol XBC-V. The address of its registered office is 730 Industriel Boulevard, Blainville, Quebec, Canada.

#### b) Liquidity risk

The Company has realized an operating loss of \$1,540,244, had cash outflows from operations of \$1,570,748 for the period ended June 30, 2014 and finished the period with cash amounting to \$1,269,820, working capital deficiency of \$39,178 and had access to credit facilities totalling \$1,500,000 of which only \$470,000 of letter of guarantees has been used, see note 11. During the year, management undertook various initiatives and developed a plan to manage its operating and liquidity risks in light of prevailing economic conditions. Management is also currently seeking alternative financings for its operations. The Company has prepared a revised budget and forecast for 2014 for which management believes the assumptions are reasonable. Achieving budgeted results is dependent on improving the volume of revenues, delivering on sales and contracts schedules, meeting expected overall operating margin levels and controlling general and administrative costs. Management expects to meet its budget and to have enough liquidity to fund operations to at least beyond December 31, 2014.

The Company is thus faced with uncertainties that may have an impact on future operating results and liquidity. These uncertainties include reduced spending in biogas projects reflecting the weakness of the market, fluctuations in foreign currency rates and achieving the Company’s business plan goals as mentioned in the previous paragraph, which includes the development of a new business segment. While management believes it has developed planned courses of action to mitigate operating and liquidity risks, there is no assurance that management will be able to achieve its business plan and maintain the necessary liquidity level if events or conditions develop that are not consistent with management’s expectations, key budget assumptions for 2014 and planned courses of action. Therefore, the Company may require additional external funding and there is no assurance that it would be successful. It is possible that future changes in capital markets conditions could result in such funding not being available when required or at acceptable costs. The Company is unable to predict the possible effects, if any, of such uncertainties and the potential adjustments to the carrying values of assets and liabilities that could be needed should the Company have insufficient liquidity. Such adjustments could be material.

# **Xebec Adsorption Inc.**

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

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## **2 Basis of preparation**

These condensed consolidated interim financial statements, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statement, including IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, as they follow the same accounting policies and methods of application, unless otherwise indicated. These consolidated interim financial statements were approved by the Board of Directors on August 28, 2014.



# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

### 3 Property, plant and equipment

	<b>Machinery and equipment</b>	<b>Office furniture and equipment</b>	<b>Computers</b>	<b>Moulds</b>	<b>Vehicles</b>	<b>Total</b>
<b>Cost</b>						
Balance at December 31, 2013	477,771	91,152	210,428	90,618	35,984	905,953
Additions	-	46,526	8,095	-	-	54,621
Effect of movements in exchange rates	(2,245)	(1,768)	(2,262)	(1,857)	-	(8,132)
<b>Balance at June 30, 2014</b>	<b>475,526</b>	<b>135,910</b>	<b>216,261</b>	<b>88,761</b>	<b>35,984</b>	<b>952,442</b>
<b>Accumulated amortization</b>						
Balance at December 31, 2013	232,740	85,668	179,425	72,355	25,189	595,377
Amortization	22,370	3,795	9,302	3,696	3,598	42,761
Effect of movements in exchange rates	(1,619)	(1,504)	(2,091)	(1,609)	-	(6,823)
<b>Balance at June 30, 2014</b>	<b>253,491</b>	<b>87,959</b>	<b>186,636</b>	<b>74,442</b>	<b>28,787</b>	<b>631,315</b>
<b>Carrying Amount</b>						
At December 31, 2013	245,031	5,484	31,003	18,263	10,795	310,576
<b>At June 30, 2014</b>	<b>222,035</b>	<b>47,951</b>	<b>29,625</b>	<b>14,319</b>	<b>7,197</b>	<b>321,127</b>

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2014

(expressed in Canadian dollars)

### 4 Intangible assets

	Customer relations \$	Other Software \$	Internally generated Engineering drawings \$	Total intangible assets \$	Goodwill \$
<b>Cost</b>					
Balance at December 31, 2013	1,900,000	254,319	4,700	2,159,019	142,616
Additions	-	2,651	-	2,651	-
Effect of movements in exchange rates	-	(2,035)	-	(2,035)	-
<b>Balance at June 30, 2014</b>	<b>1,900,000</b>	<b>254,935</b>	<b>4,700</b>	<b>2,159,635</b>	<b>142,616</b>
<b>Accumulated amortization</b>					
Balance at December 31, 2013	1,108,333	236,473	4,700	1,349,506	-
Amortization of the period	79,167	5,762	-	84,929	-
Effect of movements in exchange rates	-	(1,923)	-	(1,923)	-
<b>Balance at June 30, 2014</b>	<b>1,187,500</b>	<b>240,312</b>	<b>4,700</b>	<b>1,432,512</b>	<b>-</b>
<b>Carrying Amount</b>					
At December 31, 2013	791,667	17,846	-	809,513	142,616
<b>At June 30, 2014</b>	<b>712,500</b>	<b>14,623</b>	<b>-</b>	<b>727,123</b>	<b>142,616</b>

For the six-month period ended June 30, amortization of \$84,929 (2013 - \$84,609) is included in the consolidated statement of loss: \$1,536 (2013 - \$2,977) in 'cost of goods sold' and \$83,393 (2013 - \$81,632) in 'selling and administrative expenses'.

For the three-month period ended June 30, amortization of \$42,563 (2013 - \$42,312) is included in the consolidated statement of loss: \$867 (2013 - \$2,377) in 'cost of goods sold' and \$41,696 (2013 - \$39,935) in 'selling and administrative expenses'.

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

### 5 Share capital

Earnings (loss) per share

i) Basic

Basic loss per share is calculated by dividing the net income attributable to owners of the parent by the weighted average number of common shares in issue during the year.

	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net income (loss) attributable to owners of the parent	(737,368)	(376,077)	(1,577,186)	(1,486,961)
Weighted average number of common shares in issue	<u>39,363,867</u>	<u>39,363,867</u>	<u>39,363,867</u>	<u>39,363,867</u>
	<u>(0.02)</u>	<u>(0.01)</u>	<u>(0.04)</u>	<u>(0.04)</u>

ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: warrants and stock options. For both, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the period), based on the monetary value of the subscription rights attached to the warrants and stock options. The number of shares calculated below is compared with the number of shares that would have been issued assuming exercise of the warrants and stock options. For the periods ended June 30, the diluted net loss per share was the same as the basic net loss per share, since the effect of assumed exercise of share options and warrants to purchase common shares was anti-dilutive.

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

### 6 Expenses by nature

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
Material	1,608,737	732,591	2,818,007	2,915,819
Employee benefits	1,592,269	1,540,780	3,004,645	3,235,152
Travel expenses	231,310	250,118	455,015	420,146
Subcontract cost	219,763	588,144	271,489	691,801
Professional fees	131,370	175,331	269,881	356,320
Rent and repairs and maintenance	156,511	123,494	312,156	334,097
Office expense	130,321	96,834	242,115	200,615
Amortization	64,891	67,463	127,691	135,094
Commission	47,052	-	47,052	36,032
Stock-based compensation	19,359	66,826	19,359	70,962
Other	(68,132)	111,570	(31,431)	244,424
	<u>4,133,451</u>	<u>3,753,151</u>	<u>7,535,979</u>	<u>8,640,462</u>

### 7 Finance expenses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
Interest charges	29,545	13,365	45,265	21,126
Interest and bank charges	11,657	17,759	20,157	37,264
Accretion and revaluation of government royalty program obligation	9,077	68,525	18,615	76,673
Interest on long-term debt	160	338	351	714
	<u>50,439</u>	<u>99,987</u>	<u>84,388</u>	<u>135,777</u>

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

### 8 Supplemental Cash flow information

Net change in non-cash working capital balances related to operations consists of the following:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
Decrease (increase) in assets:				
Trade and other receivables	(200,255)	591,263	735,756	578,980
Inventories	182,090	(23,500)	185,449	23,295
Investment tax credits receivable	(105,000)	(223,635)	(17,240)	(223,635)
Restricted cash	-	-	(145,386)	-
Other current assets	(180,677)	(130,462)	(260,123)	(148,359)
Increase (decrease) in liabilities:				
Trade payables	194,846	(299,316)	(54,729)	119,084
Accrued liabilities	(180,855)	192,277	(184,384)	106,007
Deferred revenues	(868,132)	(69,921)	(203,690)	(23,753)
Other operating liabilities	(109,360)	(37,519)	(176,896)	19,700
	<u>(1,267,343)</u>	<u>(813)</u>	<u>(121,243)</u>	<u>451,319</u>

### 9 Related party transactions

The following table presents a summary of the related party transactions during the period:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
Marketing and professional services expenses paid to companies controlled by members of the immediate family of an officer	28,745	28,120	55,345	50,778
Sales to entities controlled by a subsidiary manager	<u>150,404</u>	<u>212,094</u>	<u>853,043</u>	<u>236,318</u>

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

### 10 Segmented information

The Company has only one segment and specializes in the design and manufacture of filtration, purification, separation and dehydration equipment for gases and compressed air. The Company has four product lines and provides related engineering services.

Revenue summarized by country, as determined by location of the customers, is as follows:

	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
United States	1,409,039	768,825	2,150,553	1,382,959
Japan	740,615	4,950	740,615	51,918
China	685,999	359,253	989,020	471,264
Canada	439,751	432,787	1,013,182	1,168,816
Singapore	150,404	220,785	853,043	227,837
Other	95,231	958,001	401,854	3,266,746
	<b>3,521,039</b>	<b>2,744,601</b>	<b>6,148,267</b>	<b>6,569,540</b>

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2014**

(expressed in Canadian dollars)

Revenue summarized by product line is as follows:

<b>Product line</b>	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Natural gas dryers	1,169,076	1,244,511	2,529,343	2,245,511
Compressed gas filtration	927,350	1,053,101	1,882,480	2,008,513
Gas purification	783,826	434,239	1,028,332	2,087,668
Associated Gas	640,787	12,750	708,112	227,848
	<u>3,521,039</u>	<u>2,744,601</u>	<u>6,148,267</u>	<u>6,569,540</u>

Major customers representing 10% or more of total sales include:

	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Customer A	149,540	220,785	852,179	227,837
Customer B	640,787	-	708,112	-
Customer C	-	37,929	-	1,146,315
Customer D	-	398,275	36,471	1,123,747
	<u>790,327</u>	<u>436,204</u>	<u>1,596,762</u>	<u>2,270,062</u>

The location of the Company's non-current assets by geographic region is as follows:

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current assets</b>		
Canada	1,123,100	1,389,781
Asia	62,524	72,924
United States	5,242	-
	<u>1,190,866</u>	<u>1,462,705</u>

## 11 Subsequent event

As of August 28, 2014, the Company is no longer accessing its pre-shipment line.