

Xebec Adsorption Inc.

Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(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, 2013 \$	As at December 31, 2012 \$
Assets		
Current assets		
Cash	949,595	1,344,114
Trade and other receivables	3,357,766	3,936,746
Inventories	1,640,956	1,662,494
Short-term portion of balance of sale	300,000	200,000
Investment tax credits receivable	298,635	75,000
Other current assets	573,461	425,102
Total current assets	7,120,413	7,643,456
Non-current assets		
Balance of sale	200,000	600,000
Property, plant and equipment (Note 3)	345,886	369,976
Intangible assets (Note 4)	894,063	978,258
Goodwill (Note 4)	142,616	142,616
Total non-current assets	1,582,565	2,090,850
Total assets	8,702,978	9,734,306
Liabilities		
Current liabilities		
Bank loan	500,000	166,952
Trade payables	3,917,540	3,799,491
Accrued liabilities	1,250,546	1,144,539
Deferred revenues	1,044,234	1,067,987
Current portion of long-term debt and obligation	66,914	76,474
Current portion of government royalty program obligation	621,248	365,959
Provisions	173,481	161,692
Total current liabilities	7,573,963	6,783,094
Non-current liabilities		
Long-term debt and obligation	89,067	117,649
Government royalty program obligation	476,237	714,853
Government assistance	19,583	22,083
Deferred rent	46,172	32,980
Provisions	334,219	326,308
Total non-current liabilities	965,278	1,213,873
Total liabilities	8,539,241	7,996,967
Equity (Deficiency)		
Share capital	19,732,623	19,732,623
Contributed surplus	2,387,541	2,316,580
Accumulated other comprehensive loss	(235,900)	(48,870)
Deficit	(22,015,827)	(20,528,866)
	(131,563)	1,471,467
Non-controlling interest	295,300	265,872
Total equity	163,737	1,737,339
Total liabilities and equity	8,702,978	9,734,306

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

Approved by the Board of Directors

(signed) Kurt Sorchak Director

(signed) John Shakeshaft Director

Xebec Adsorption Inc.

Condensed Interim Consolidated Statements of Income (Loss)

For the three-month and six-month period ended June 30, 2013 and 2012

(Unaudited)

(expressed in Canadian dollars)

	2013 \$	2012 \$	2013 \$	2012 \$
Revenue	2,744,601	4,205,388	6,569,540	5,735,046
Cost of goods sold	<u>2,296,696</u>	<u>3,078,409</u>	<u>5,741,824</u>	<u>4,887,533</u>
Gross margin	<u>447,905</u>	<u>1,126,979</u>	<u>827,716</u>	<u>847,513</u>
Research and development expenses (note 7)	(79,597)	(4,016)	(21,624)	22,056
Selling and administrative expenses	1,456,455	1,645,801	2,898,638	2,809,933
Foreign exchange (gain) loss	(143,043)	(22,450)	(213,311)	17,733
Gain on disposition of assets	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>(5,445,961)</u>
	<u>733,815</u>	<u>1,619,335</u>	<u>2,163,703</u>	<u>(2,596,239)</u>
Operating Income (Loss)	<u>(285,910)</u>	<u>(492,356)</u>	<u>(1,335,987)</u>	<u>3,443,752</u>
Finance income	(4,312)	(3,377)	(8,941)	(3,419)
Finance expense (note 10)	<u>99,987</u>	<u>25,219</u>	<u>135,777</u>	<u>795,251</u>
Finance costs – net	<u>95,675</u>	<u>21,842</u>	<u>126,836</u>	<u>791,832</u>
Net income (loss) for the period	<u>(381,585)</u>	<u>(514,198)</u>	<u>(1,462,823)</u>	<u>2,651,920</u>
Earnings (loss) attributable to:				
Shareholders of the Company	(376,077)	(571,041)	(1,486,961)	2,610,489
Non-controlling interest	<u>(5,508)</u>	<u>56,843</u>	<u>24,138</u>	<u>41,431</u>
	<u>(381,585)</u>	<u>(514,198)</u>	<u>(1,462,823)</u>	<u>2,651,920</u>
Earnings (loss) per share				
Basic (Note 5)	(0.01)	(0.01)	(0.04)	0.07
Diluted (Note 5)	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.04)</u>	<u>0.06</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, 2013 and 2012

(Unaudited)

(expressed in Canadian dollars)

	2013 \$	2012 \$	2013 \$	2012 \$
Net income (loss) for the period	(381,585)	(514,198)	(1,462,823)	2,651,920
Other comprehensive income				
Cumulative translation adjustment	<u>(128,854)</u>	<u>(31,754)</u>	<u>(181,740)</u>	<u>18,578</u>
Comprehensive income (loss) for the period	<u>(510,439)</u>	<u>(545,952)</u>	<u>(1,644,563)</u>	<u>2,670,498</u>
Attributable to:				
Shareholders of the Company	(508,531)	(603,107)	(1,673,991)	2,628,746
Non-controlling interest	<u>(1,908)</u>	<u>57,155</u>	<u>29,428</u>	<u>41,752</u>
	<u>(510,439)</u>	<u>(545,952)</u>	<u>(1,644,563)</u>	<u>2,670,498</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
			\$	\$	\$	\$	\$	\$	\$
Balance – January 1, 2012	39,363,867	10,658,136	19,802,272	2,168,550	(71,521)	(22,211,793)	(312,492)	5,371	(307,121)
Net loss for the period	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	18,257	-	2,610,489	41,431	2,651,920
Comprehensive income (loss) for the period	-	-	-	-	18,257	2,610,489	2,628,746	41,752	2,670,498
Expired warrants	-	(566,250)	(69,649)	69,649	-	-	-	-	-
Share-based compensation	-	-	-	61,595	-	-	61,595	-	61,595
Balance – June 30, 2012	39,363,867	10,091,886	19,732,623	2,299,794	(53,264)	(19,601,304)	2,377,849	47,123	2,424,972
Balance – January 1, 2013	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	-	-	-	-	(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)
Expired warrants	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	70,961	-	-	70,961	-	70,961
Balance – June 30, 2013	39,363,867	10,091,886	19,732,623	2,387,541	(235,900)	(22,015,827)	(131,563)	295,300	163,737

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, 2013 and 2012

(Unaudited)

(expressed in Canadian dollars)

	2013	2012	2013	2012
	\$	\$	\$	\$
Cash flows from				
Operating activities				
Net income (loss) for the period	(381,585)	(514,198)	(1,462,823)	2,651,920
Items not affecting cash				
Amortization of property, plant and equipment	25,150	26,223	50,485	91,785
Amortization of intangible assets	42,312	68,170	84,609	185,613
Gain on disposition of assets	-	-	-	(5,445,961)
Gain on disposition of intangible assets	(500,000)	-	(500,000)	-
Gain on debt forgiveness	-	(61,249)	(1,034)	(89,179)
Government assistance	(1,250)	(1,250)	(2,500)	(2,500)
Deferred rent	6,596		13,192	
Unrealized foreign exchange loss on loan to a joint venture and restricted cash	-	288	-	561
Accretion and revaluation of government royalty program obligation	68,525	11,101	76,673	749,277
Stock-based compensation expense	66,824	13,748	70,961	61,595
	<u>(673,428)</u>	<u>(457,167)</u>	<u>(1,670,437)</u>	<u>(1,796,889)</u>
Changes in non-cash working capital components relating to operations				
Trade and other receivables	591,263	(2,351,786)	578,980	(1,118,760)
Inventories	(23,500)	(246,158)	23,295	(301,746)
Other current assets	(130,462)	(114,277)	(148,359)	(49,797)
Investment tax credits receivable	(223,635)	-	(223,635)	-
Trade payables	(299,316)	(698,426)	119,084	(2,389,891)
Accrued liabilities	192,277	143,333	106,007	(56,107)
Deferred revenues	(69,921)	148,492	(23,753)	268,267
Other operating liabilities	(37,519)	110,721	19,700	70,420
	<u>(813)</u>	<u>(3,008,101)</u>	<u>451,319</u>	<u>(3,577,614)</u>
	<u>(674,241)</u>	<u>(3,465,268)</u>	<u>(1,219,118)</u>	<u>(5,374,503)</u>
Investing activities				
Acquisition of property, plant and equipment	(25,323)	(24,518)	(25,323)	(24,518)
Acquisition of intangible assets	-	-	-	(52,677)
Proceeds from disposal of assets	500,000	-	504,918	8,414,519
Balance of sale	-	-	300,000	-
	<u>474,677</u>	<u>(24,518)</u>	<u>779,595</u>	<u>8,337,324</u>
Financing activities				
Increase (decrease) of bank loan	107,900	-	333,048	(500,000)
Repayment of long-term debt	(12,841)	(12,234)	(38,142)	(135,904)
Repayment of government royalty program obligation	(60,000)	-	(60,000)	(790,000)
	<u>35,059</u>	<u>(12,234)</u>	<u>234,906</u>	<u>(1,425,904)</u>
Effect of exchange rate changes on cash	(134,776)	6,303	(189,902)	65,066
Increase (decrease) in cash during the period	<u>(299,281)</u>	<u>(3,495,717)</u>	<u>(394,519)</u>	<u>1,601,983</u>
Cash – Beginning of period	<u>1,248,876</u>	<u>5,486,790</u>	<u>1,344,114</u>	<u>389,090</u>
Cash – End of period	<u>949,595</u>	<u>1,991,073</u>	<u>949,595</u>	<u>1,991,073</u>
Additional information				
Interest paid	31,413	14,119	58,992	47,574

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, 2013

(expressed in Canadian dollars)

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 Toronto Stock Exchange under the symbol XBC. The address of its registered office is 730 Industriel Boulevard, Blainville, Quebec, Canada.

b) Liquidity risk

The Company has realized an operating loss of \$1,462,823, had cash outflows from operations of \$1,219,118 for the period ended June 30, 2013 and finished the period with cash amounting to \$949,595, working capital deficiency of \$453,550 and had access to credit facilities totalling \$1,500,000 of which only \$575,000 has been used. The Company is currently in breach of its TPC agreement but negotiating its payment term. During the fourth quarter of 2012, 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 2013 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, 2013.

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 2013 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, 2013

(expressed in Canadian dollars)

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, 2012, 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 14, 2013.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

3 Property, plant and equipment

	Machinery and equipment	Office furniture and equipment	Computers	Moulds	Vehicles	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance at December 31, 2012	446,738	98,960	226,716	82,367	35,984	9,542	900,307
Disposals	(4,230)	(14,531)	(20,099)	-	-	(9,458)	(48,318)
Additions	25,323	-	-	-	-	-	25,323
Effect of movements in exchange rates	7,196	4,838	7,605	5,982	-	(84)	25,537
Balance at June 30, 2013	475,027	89,267	214,222	88,349	35,984	-	902,849
Accumulated amortization							
Balance at December 31, 2012	186,049	79,436	185,335	51,977	17,992	9,542	530,331
Amortization	21,347	8,404	8,666	8,469	3,598	-	50,484
Disposals	(3,160)	(11,625)	(19,157)	-	-	(9,458)	(43,400)
Effect of movements in exchange rates	4,410	4,297	6,784	4,141	-	(84)	19,548
Balance at June 30, 2013	208,646	80,512	181,628	64,587	21,590	-	556,963
Carrying Amount							
At December 31, 2012	260,689	19,524	41,381	30,390	17,992	-	369,976
At June 30, 2013	266,381	8,755	32,594	23,762	14,394	-	345,886

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

4 Intangible assets

	Customer relations \$	Other Software \$	Internally generated Engineering drawings \$	Total intangible assets \$	Goodwill \$
Cost					
Balance at December 31, 2012	1,900,000	245,573	4,700	2,150,273	142,616
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Effect of movements in exchange rates	-	6,342	-	6,342	-
Balance at June 30, 2013	1,900,000	251,915	4,700	2,156,615	142,616
Accumulated amortization					
Balance at December 31, 2012	950,000	217,315	4,700	1,172,015	-
Amortization of the period	79,167	5,442	-	84,609	-
Disposals	-	-	-	-	-
Effect of movements in exchange rates	-	5,928	-	5,928	-
Balance at June 30, 2013	1,029,167	228,685	4,700	1,262,552	-
Carrying Amount					
At December 31, 2012	950,000	28,258	-	978,258	142,616
At June 30, 2013	870,833	23,230	-	894,063	142,616

For the six-month period ended June 30, amortization of \$84,609 (2012 - \$185,613) is included in the consolidated statement of income (loss): \$2,977 (2012 - \$49,587) in 'cost of goods sold' and \$81,632 (2012 - \$136,026) in 'selling and administrative expenses'.

For the three-month period ended June 30, amortization of \$42,312 (2012 - \$68,170) is included in the consolidated statement of income (loss): \$2,377 (2012 - \$157) in 'cost of goods sold' and \$39,935 (2012 - \$68,013) in 'selling and administrative expenses'.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(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.

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013 \$	2012 \$	2013 \$	2012 \$
Net income (loss) attributable to owners of the parent	(376,077)	(571,041)	(1,486,961)	2,610,489
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>(0.01)</u>	<u>(0.01)</u>	<u>(0.04)</u>	<u>0.07</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.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013 \$	2012 \$	2013 \$	2012 \$
Net income (loss) attributable to owners of the parent	(376,077)	(571,041)	(1,486,961)	2,610,489
Weighted average number of common shares in issue	39,363,867	39,363,867	39,363,867	39,363,867
Dilutive effect of stock options	-	-	-	2,620,000
Diluted weighted average number of shares	-	-	-	41,983,867
	(0.01)	(0.01)	(0.04)	0.06
Items excluded from the calculation of diluted net income per share because the exercise price was greater than the average market price of the common shares or due to their anti-dilutive effect				
Stock options	4,326,096	3,039,551	4,326,096	419,551
Warrants (number of equivalent shares)	4,541,349	4,541,349	4,541,349	4,541,349

6 Stock options

The stock option plan (the “2010 Plan”) allowed for the issuance of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards. Under the 2010 Plan, common shares approved for issuance under all stock-based compensation arrangements were limited to the greater of 591,560 and 10% of the common shares issued and outstanding.

The Compensation Committee has recommended to the directors, on May 9, 2013, who have approved, on May 9, 2013, the renewal of the 2010 Plan and that it be amended and restated in order (i) to change the name of the plan to “Xebec Adsorption 2013 Amended and Restated Omnibus Plan” (the “2013 Plan”) and (ii) to change the relevant provisions therein so that the aggregate number of Common shares which could be granted pursuant to the 2013 Plan not exceed 15% of all issued and outstanding common shares of the Company from time to time (versus 10% in the Plan). The 2013 Plan was approved by the Shareholders on June 13, 2013. As at June 30, 2013, the maximum number of common shares available for issuance under all stock-based compensation arrangements is 5,904,580.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

7 Research and development expenses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013 \$	2012 \$	2013 \$	2012 \$
Employee benefits	84,851	8,960	144,326	9,305
Professional fees	52,505	-	52,505	-
Material	7,932	(13,609)	6,500	13,179
Office expense	-	318	1,180	427
Travel expenses	-	1,565	-	1,645
Government Grants	(1,250)	(1,250)	(2,500)	(2,500)
Tax credit	(223,635)	-	(223,635)	-
	<u>(79,597)</u>	<u>(4,016)</u>	<u>(21,624)</u>	<u>22,056</u>

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

8 Expenses by nature

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013 \$	2012 \$	2013 \$	2012 \$
Employee benefits	1,540,780	1,449,834	3,235,152	2,950,371
Material	732,591	1,701,386	2,915,819	2,251,263
Subcontracting costs	588,144	308,565	691,801	439,071
Travel expenses	250,118	238,143	420,146	351,833
Professional fees	175,331	337,079	356,320	376,479
Rent and repairs and maintenance	123,494	214,434	334,097	448,336
Other	111,570	220,168	244,424	257,039
Office expense	96,834	146,698	200,615	284,083
Amortization	67,463	94,155	135,094	277,396
Stock-based compensation	66,826	13,748	70,962	61,595
Commission	-	-	36,032	-
	<u>3,753,151</u>	<u>4,724,210</u>	<u>8,640,462</u>	<u>7,697,466</u>

9 Gain on disposition of assets

On March 22, 2012, the Company sold to Air Products and Chemicals Inc. (“Air Products”) its intellectual property (“IP”) portfolio, including the patents and patent applications relating to its gas separation technology. In this transaction, the Company has also transferred ownership of its research and development facilities in Burnaby and Surrey, as well as other equipment located in British Columbia.

This agreement also foresees future proceeds related to the achievement of certain conditions to be met by Xebec within the next 24 months. The Company met one milestone during the quarter.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

10 Finance expenses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Accretion and revaluation of government royalty program obligation	68,525	11,101	76,673	749,277
Interest and bank charges	17,759	10,769	37,264	24,160
Interest charges	13,365	2,544	21,126	18,872
Interest on long-term debt	338	805	714	2,942
	<u>99,987</u>	<u>25,219</u>	<u>135,777</u>	<u>795,251</u>

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

11 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,	
	2013 \$	2012 \$	2013 \$	2012 \$
Marketing and professional services expenses paid to companies controlled by members of the immediate family of an officer	28,120	23,658	50,778	35,633
Sales to entities controlled by a Company director	212,094	15,666	236,318	18,413
Sale of property, plant and equipment to an entity controlled by a Company director	-	-	4,918	-
Management fees paid to an entity controlled by a Company director	9,833	-	16,177	-
Cash advances to an entity controlled by a Company director	207,076	-	207,076	-
Accrued interest on loan from a Company director	-	867	-	1,678

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

12 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:

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenue				
Korea	506,778	23,751	2,341,683	178,212
United States	768,825	501,840	1,382,959	1,050,641
Canada	432,787	1,299,449	1,168,816	1,901,898
China	359,253	383,178	471,264	383,178
Other	676,958	1,997,170	1,204,818	2,221,117
	<u>2,744,601</u>	<u>4,205,388</u>	<u>6,569,540</u>	<u>5,735,046</u>

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2013

(expressed in Canadian dollars)

Revenue summarized by product line is as follows:

Product line	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Natural gas dryers	1,244,511	742,590	2,245,511	1,168,646
Gas purification	434,239	2,596,267	2,087,668	3,046,876
Compressed gas filtration	1,053,101	848,407	2,008,513	1,033,432
Associated Gas	12,750	-	227,848	-
Air dryers	-	17,906	-	58,900
Engineering services	-	218	-	427,192
	2,744,601	4,205,388	6,569,540	5,735,046

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Customer A	37,929	18,308	1,146,315	18,308
Customer B	398,275	4,018	1,123,747	10,881
	436,204	22,326	2,270,062	29,189

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

Non-current assets	June 30,	December 31,
	2013	2012
	\$	\$
Canada	1,496,715	1,982,855
Asia	85,850	107,995
	1,582,565	2,090,850