

Xebec Adsorption Inc.

Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2012

(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

(expressed in Canadian dollars)

	As at June 30, 2012 \$	As at December 31, 2011 \$
Assets		
Current assets		
Cash	1,991,073	389,090
Trade and other receivables	3,563,602	2,444,842
Inventories	1,634,664	1,365,260
Investment tax credits receivable	75,000	75,000
Other current assets	379,089	329,292
Total current assets	7,643,428	4,603,484
Non-current assets		
Balance of sale	800,000	800,000
Property, plant and equipment (note 4)	331,972	548,671
Intangible assets (note 5)	1,085,819	3,988,317
Goodwill (note 5)	142,616	342,616
Total non-current assets	2,360,407	5,679,604
Total assets	10,003,835	10,283,088
Liabilities		
Current liabilities		
Bank loan (note 3)	-	500,000
Trade payables	2,068,445	4,547,515
Accrued Liabilities	1,139,718	1,195,825
Deferred revenues	2,625,262	2,506,474
Current portion of long-term debt and obligation (note 3)	74,552	141,786
Current portion of Government royalty program obligation (note 3)	210,713	195,949
Provisions	95,000	156,000
Total current liabilities	6,213,690	9,243,549
Non-current liabilities		
Loan from a related party (note 10)	24,123	23,562
Long-term debt and obligation (note 3)	168,056	236,729
Government royalty program obligation (note 3)	697,485	752,972
Government assistance	24,583	27,083
Deferred rent	19,788	6,596
Provisions	431,138	299,718
Total non-current liabilities	1,365,173	1,346,660
Total liabilities	7,578,863	10,590,209
Equity (Deficiency)		
Share capital	19,732,623	19,802,272
Contributed surplus	2,299,794	2,168,550
Accumulated other comprehensive loss	(53,264)	(71,521)
Deficit	(19,601,304)	(22,211,793)
	2,377,849	(312,492)
Non-controlling interest	47,123	5,371
Total equity	2,424,972	(307,121)
Total liabilities and equity	10,003,835	10,283,088

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)

(Unaudited)

(expressed in Canadian dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
Revenue	4,205,388	4,508,029	5,735,046	8,559,560
Cost of goods sold	<u>3,078,409</u>	<u>3,618,181</u>	<u>4,887,533</u>	<u>5,655,654</u>
Gross margin	<u>1,126,979</u>	<u>889,848</u>	<u>847,513</u>	<u>2,903,906</u>
Research and development expenses (note 8)	(4,016)	34,660	22,056	386,340
Selling and administrative expenses	1,645,801	1,808,832	2,809,933	3,692,765
Foreign exchange loss (gain)	(22,450)	(19,465)	17,733	(127,925)
Gain on disposition of assets (note 3)	-	-	(5,445,961)	-
	<u>1,619,335</u>	<u>1,824,027</u>	<u>(2,596,239)</u>	<u>3,951,180</u>
Operating Income (Loss)	<u>(492,356)</u>	<u>(934,179)</u>	<u>3,443,752</u>	<u>(1,047,274)</u>
Finance income	(3,377)	(5,563)	(3,419)	(9,156)
Finance expense (note 9)	<u>25,219</u>	<u>103,219</u>	<u>795,251</u>	<u>220,257</u>
Finance costs – net	<u>21,842</u>	<u>97,656</u>	<u>791,832</u>	<u>211,101</u>
Net income (loss) for the period	<u>(514,198)</u>	<u>(1,031,835)</u>	<u>2,651,920</u>	<u>(1,258,375)</u>
Earnings (loss) attributable to:				
Shareholders of the Company	(571,041)	(1,031,835)	2,610,489	(1,258,375)
Non-controlling interest	<u>56,843</u>	<u>-</u>	<u>41,431</u>	<u>-</u>
	<u>(514,198)</u>	<u>(1,031,835)</u>	<u>2,651,920</u>	<u>(1,258,375)</u>
Earnings (loss) per share				
Basic and diluted (note 6)	<u>(0.01)</u>	<u>(0.03)</u>	<u>0.07</u>	<u>(0.03)</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) (Unaudited)

(expressed in Canadian dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
Net income (loss) for the period	(514,198)	(1,031,835)	2,651,920	(1,258,375)
Other comprehensive income				
Cumulative translation adjustment	(31,754)	(15,061)	18,578	12,056
Comprehensive income (loss) for the period	<u>(545,952)</u>	<u>(1,046,896)</u>	<u>2,670,498</u>	<u>(1,246,319)</u>
Attributable to:				
Shareholders of the Company	(603,107)	(1,046,896)	2,628,746	(1,246,319)
Non-controlling interest	57,155	-	41,752	-
	<u>(545,952)</u>	<u>(1,046,896)</u>	<u>2,670,498</u>	<u>(1,246,319)</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, 2011	39,363,867	15,456,424	19,964,218	1,841,741	72,622	(20,764,670)	1,113,911	-	1,113,911
Net loss for the period	-	-	-	-	-	(1,258,375)	(1,258,375)	-	(1,258,375)
Other comprehensive income (net of tax)	-	-	-	-	12,056	-	12,056	-	12,056
Comprehensive income (loss) for the period	-	-	-	-	12,056	(1,258,375)	(1,246,319)	-	(1,246,319)
Expired warrants	-	(4,798,288)	(161,946)	161,946	-	-	-	-	-
Share-based compensation	-	-	-	2,695	-	-	2,695	-	2,695
Balance – June 30, 2011	39,363,867	10,658,136	19,802,272	2,006,382	84,678	(22,023,045)	(129,713)	-	(129,713)
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 income (loss) for the period	-	-	-	-	-	2,610,489	2,610,489	41,431	2,651,920
Other comprehensive income (net of tax)	-	-	-	-	18,257	-	18,257	321	18,578
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

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 (Unaudited)

(expressed in Canadian dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
Cash flows from				
Operating activities				
Net income (loss) for the period	(514,198)	(1,031,835)	2,651,920	(1,258,375)
Items not affecting cash				
Amortization of property, plant and equipment	26,223	108,443	91,785	225,582
Amortization of intangible assets	68,170	129,572	185,613	258,966
Gain on disposition of assets (note 3)	-	-	(5,445,961)	-
Gain on debt forgiveness	(61,249)	-	(89,179)	-
Government assistance	(1,250)	(1,250)	(2,500)	(2,500)
Unrealized foreign exchange loss on loan to a joint venture and restricted cash	288	(2,190)	561	(1,602)
Accretion and revaluation of government royalty program obligation	11,101	55,336	749,277	107,172
Stock-based compensation expense	13,748	2,270	61,595	2,695
	<u>(457,167)</u>	<u>(739,654)</u>	<u>(1,796,889)</u>	<u>(668,062)</u>
Changes in non-cash working capital components relating to operations				
Trade and other receivables	(2,351,786)	(454,464)	(1,118,760)	(188,200)
Inventories	(246,158)	1,158,359	(301,746)	797,831
Investment tax credits receivable	-	(72,327)	-	28,489
Other current assets	(114,277)	29,038	(49,797)	50,783
Trade payables and accrued liabilities	(555,093)	(159,136)	(2,445,998)	(1,341,488)
Deferred revenues	148,492	(657,539)	268,267	(264,570)
Income taxes payable (recoverable)	-	-	-	(8,286)
Other operating liabilities	110,721	(209,801)	70,420	(592,358)
	<u>(3,008,101)</u>	<u>(365,870)</u>	<u>(3,577,614)</u>	<u>(1,517,799)</u>
	<u>(3,465,268)</u>	<u>(1,105,524)</u>	<u>(5,374,503)</u>	<u>(2,185,861)</u>
Investing activities				
Acquisition of property, plant and equipment	(24,518)	-	(24,518)	-
Acquisition of intangible assets	-	-	(52,677)	-
Proceeds from disposal of assets (note 3)	-	-	8,414,519	8,428
Decrease in restricted cash	-	818,287	-	496,879
	<u>(24,518)</u>	<u>818,287</u>	<u>8,337,324</u>	<u>505,307</u>
Financing activities				
Repayment of bank loan	-	-	(500,000)	-
Increase in long-term debt	-	-	-	9,568
Repayment of long-term debt	(12,234)	(19,305)	(135,904)	(64,669)
Repayment of government royalty program obligation	-	-	(790,000)	-
	<u>(12,234)</u>	<u>(19,305)</u>	<u>(1,425,904)</u>	<u>(55,101)</u>
Effect of exchange rate changes on cash	6,303	(15,872)	65,066	12,458
Increase (decrease) in cash during the period	<u>(3,495,717)</u>	<u>(322,414)</u>	<u>1,601,983</u>	<u>(1,723,197)</u>
Cash – Beginning of period	<u>5,486,790</u>	<u>861,490</u>	<u>389,090</u>	<u>2,262,273</u>
Cash – End of period	<u>1,991,073</u>	<u>539,076</u>	<u>1,991,073</u>	<u>539,076</u>
Additional information				
Income tax recovered	-	-	-	-
Interest paid	14,119	61,522	47,574	112,679

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, 2012

(expressed in Canadian dollars)

1 Nature of business

Xebec Adsorption Inc. (“Xebec” or the “Company”) is a global provider of clean energy solutions to corporations and governments looking to reduce their carbon footprint. The Company is incorporated and domiciled in Canada and listed on the Toronto Stock Exchange. The address of its registered office is 730 Industriel Boulevard, Blainville, Quebec, Canada.

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, 2011, 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 2, 2012.

3 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.

Pursuant to this transaction, The Company has received aggregate gross proceeds of CAD\$8,600,000 and net proceeds of approximately CAD\$8,415,000. This agreement also foresees future proceeds related to the achievement of certain conditions to be met by Xebec within the next 24 months. With the net proceeds received, the Company reimbursed its bank loan of \$500,000 and its subordinated loan of \$83,700.

The Company has also entered into a license agreement with Air Products allowing it to continue using the gas separation technology to sell its systems, predominantly in the biogas, natural gas and associated gas purification markets.

The Company will utilize its non-capital losses carried forward to offset the taxable gain resulting from this sale.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2012

(expressed in Canadian dollars)

The following table summarizes the gain on disposition of assets:

	March 22, 2012
	\$
Gross proceeds	8,600,000
Transaction fees	(185,481)
	<hr/>
Net proceeds	8,414,519
Goodwill disposition	(200,000)
Carrying value of assets	(2,918,037)
Others	149,479
	<hr/>
Gain on disposition of assets	<u>5,445,961</u>

In conjunction with the closing of the IP transaction, the Company signed a settlement agreement with Technology Partnership Canada (“TPC”) with regard to its Fast Cycle Pressure Swing Adsorption and Gas Management systems and Pulsar Pressure Swing Adsorption project. The Company had to pay \$250,000 at the execution of the agreement and \$1,000,000 spread over four equal annual non-interest bearing payments. Furthermore, the Company is liable to pay up to \$750,000 in contingent payments based on cumulative funds generated from the sale by the Company of its intellectual property. Upon closing of the transaction, the company paid \$540,000 out of the \$750,000 total contingent based payments.

The following table summarizes the activity related to the government royalty program obligation during the period:

Balance- Beginning of period	948,921
Accretion interests	66,997
Loss on revaluation	682,280
Repayment	(790,000)
	<hr/>
Balance- End of period	908,198

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2012

(expressed in Canadian dollars)

4 Property, plant and equipment

	Machinery and equipment	Office furniture and equipment	Computers	Moulds	Vehicles	Leasehold improvements	Total
Cost							
Balance at December 31, 2011	742,821	107,230	338,157	67,648	71,968	663,023	1,990,847
Disposals (note 3)	(363,788)	(11,911)	(155,863)	-	-	(415,523)	(947,085)
Additions	-	2,262	22,256	-	-	-	24,518
Effect of movements in exchange rates	(651)	(169)	(407)	(503)	-	(1,551)	(3,281)
Balance at June 30, 2012	378,382	97,412	204,143	67,145	71,968	245,949	1,064,999
Accumulated amortization							
Balance at December 31, 2011	445,861	71,076	324,639	38,897	21,590	540,113	1,442,176
Amortization	33,522	9,779	8,132	6,663	7,197	26,492	91,785
Disposals (note 3)	(312,993)	(10,641)	(155,863)	-	-	(319,103)	(798,600)
Effect of movements in exchange rates	(244)	(62)	(241)	(234)	-	(1,553)	(2,334)
Balance at June 30, 2012	166,146	70,152	176,667	45,326	28,787	245,949	733,027
Carrying Amount							
At December 31, 2011	296,960	36,154	13,518	28,751	50,378	122,910	548,671
Balance at June 30, 2012	212,236	27,260	27,476	21,819	43,181	-	331,972

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2012

(expressed in Canadian dollars)

5 Intangible assets

	Patents \$	Customer relations \$	Other Software \$	Internally generated Engineering drawings \$	Total intangible assets \$	Goodwill \$
Cost						
Balance at December 31, 2011	3,315,985	1,900,000	214,074	4,700	5,434,759	342,616
Additions	52,677	-	-	-	52,677	-
Disposals (note 3)	(3,368,662)	-	-	-	(3,368,662)	(200,000)
Effect of movements in exchange rates	-	-	(602)	-	(602)	-
Balance at June 30, 2012	-	1,900,000	213,472	4,700	2,118,172	142,616
Accumulated amortization						
Balance at December 31, 2011	549,835	678,572	213,335	4,700	1,446,442	-
Amortization of the period	49,275	135,714	624	-	185,613	-
Disposals (note 3)	(599,110)	-	-	-	(599,110)	-
Effect of movements in exchange rates	-	-	(592)	-	(592)	-
Balance at June 30, 2012	-	814,286	213,367	4,700	1,032,353	-
Carrying Amount						
At December 31, 2011	2,766,150	1,221,428	739	-	3,988,317	342,616
Balance at June 30, 2012	-	1,085,714	105	-	1,085,819	142,616

For the six-month period ended June 30, amortization of \$185,613 (2011 - \$258,966) is included in the condensed interim consolidated statement of income (loss): \$49,587 (2011 - \$117,001) in 'cost of goods sold' and \$136,026 (2011 - \$141,965) in 'selling and administrative expenses'.

For the three-month period ended June 30, amortization of \$68,170 (2011 - \$129,572) is included in the condensed interim consolidated statement of income (loss): \$157 (2011 - \$59,201) in 'cost of goods sold' and \$68,013 (2011 - \$70,371) in 'selling and administrative expenses'.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2012

(expressed in Canadian dollars)

6 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.

	<u>For the three-month period ended June 30,</u>		<u>For the six-month period ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net income (loss) attributable to owners of the parent	(571,041)	(1,031,835)	2,610,489	(1,258,375)
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><u>\$(0.01)</u></u>	<u><u>\$(0.03)</u></u>	<u><u>\$0.07</u></u>	<u><u>\$(0.03)</u></u>

ii) Diluted

Diluted loss 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 above 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, 2012

(expressed in Canadian dollars)

7 Expenses by nature

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
Employee benefits	1,449,834	2,092,733	2,950,371	3,496,630
Stock-based compensation	13,748	2,270	61,595	2,695
Material	1,701,386	1,995,972	2,251,263	3,228,008
Subcontracting costs	308,565	209,443	439,071	298,693
Professional fees	337,079	436,796	376,479	858,602
Travel expenses	238,143	138,969	351,833	307,612
Rent and repairs and maintenance	214,434	218,782	448,336	452,161
Office expense	146,698	111,728	284,083	254,316
Amortization	94,155	249,982	277,396	484,547
Other	220,168	(29,662)	257,039	(34,845)
	<u>4,724,210</u>	<u>5,427,013</u>	<u>7,697,466</u>	<u>9,348,419</u>

8 Research and development expenses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
Research and development expenses	(2,766)	108,237	24,556	461,167
Government grants	(1,250)	(73,577)	(2,500)	(74,827)
	<u>(4,016)</u>	<u>34,660</u>	<u>22,056</u>	<u>386,340</u>

Xebec Adsorption Inc.

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June 30, 2012

(expressed in Canadian dollars)

9 Finance expenses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
Interest and bank charges	10,769	20,402	24,160	30,137
Interest on bank loan	-	85	-	8,911
Interest on long-term debt and subordinated loan	805	26,979	2,942	54,211
Interest charges	2,544	12,417	18,872	19,826
Other finance charges – TPC	11,101	43,336	749,277	107,172
	<u>25,219</u>	<u>103,219</u>	<u>795,251</u>	<u>220,257</u>

10 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,	
	2012 \$	2011 \$	2012 \$	2011 \$
Marketing and professional services expenses accrued to companies controlled by members of the immediate family of an officer	23,658	14,583	35,633	14,583
Sales to a shareholder of a subsidiary (a joint venture partner in 2011)	15,666	15,655	18,413	40,604
Accrued interest to a joint venture partner	-	433	-	854
Accrued interest on a 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.

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2012

(expressed in Canadian dollars)

11 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:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2012 \$	2011 \$	2012 \$	2011 \$
Revenue				
Canada	1,299,449	299,074	1,901,898	656,128
United States	501,840	2,785,965	1,050,641	5,917,026
India	904,550	-	966,382	-
Japan	625,649	20,426	705,160	96,090
China	383,178	268,840	383,178	273,826
Thailand	247,326	-	247,326	-
Korea	23,751	193,827	178,212	251,742
Malaysia	119,102	-	119,102	-
Singapore	33,279	642,107	80,068	784,127
Other	67,264	297,790	103,079	580,621
	<u>4,205,388</u>	<u>4,508,029</u>	<u>5,735,046</u>	<u>8,559,560</u>

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

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(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,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Natural gas dryers	742,590	1,737,528	1,168,646	2,032,307
Gas purification	2,596,267	1,821,872	3,046,876	2,922,872
Compressed gas filtration	848,407	443,822	1,033,432	892,208
Engineering services	218	484,036	427,192	1,126,147
Licensing	-	-	-	1,464,887
Air dryers	17,906	20,771	58,900	121,139
	4,205,388	4,508,029	5,735,046	8,559,560

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,	
	2012	2011	2012	2011
	\$	\$	\$	\$
	For the three-month period ended June 30, 2012	For the three-month period ended June 30, 2011	For the six-month period ended June 30, 2012	For the six-month period ended June 30, 2011
	\$	\$	\$	\$
Customer A	723,042	57,156	1,091,008	57,156
Customer B	904,041	-	965,644	-
Customer C	623,693	20,426	623,748	96,090
	2,250,776	77,582	2,680,400	153,246

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

Xebec Adsorption Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2012

(expressed in Canadian dollars)

	As at June 30, 2012 \$	As at December 31, 2011 \$
Non-current assets		
Canada	2,253,863	5,563,424
Asia	<u>106,544</u>	<u>116,180</u>
	<u>2,360,407</u>	<u>5,679,604</u>