

# **Xebec Adsorption Inc.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

**For the three-month and six-month periods ended  
June 30, 2022 and 2021**

(Expressed in thousands of Canadian dollars)

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements (Unaudited)

(expressed in Canadian dollars)

Consolidated Statements of (Loss) profit	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022 \$	2021 \$ Restated (Note 2)	2022 \$	2021 \$ Restated (Note 2)
Revenue from contracts	43,885	32,117	84,212	51,763
Government grants	616	547	1,482	1,525
<b>Revenue</b> (Note 3)	<u>44,501</u>	<u>32,664</u>	<u>85,694</u>	<u>53,288</u>
<b>Cost of goods sold</b>	<u>42,745</u>	<u>27,673</u>	<u>79,354</u>	<u>44,113</u>
<b>Gross margin</b>	<u>1,756</u>	<u>4,991</u>	<u>6,340</u>	<u>9,175</u>
Research and development expenses	986	862	1,717	1,405
Selling and administrative expenses	17,187	12,219	33,565	22,910
Share of after-tax (profit) loss of equity accounted investees	(706)	76	(104)	162
Other (gains) and losses (Note 4)	5,618	(19,941)	9,334	(18,279)
	<u>23,085</u>	<u>(6,784)</u>	<u>44,512</u>	<u>6,198</u>
Operating (loss) profit	<u>(21,329)</u>	<u>11,775</u>	<u>(38,172)</u>	<u>2,977</u>
<b>Other charges (income)</b>				
Net finance expenses (Note 5)	<u>2,273</u>	<u>1,274</u>	<u>4,128</u>	<u>2,474</u>
<b>(Loss) profit before income taxes</b>	<u>(23,602)</u>	<u>10,501</u>	<u>(42,300)</u>	<u>503</u>
Income taxes	<u>(211)</u>	<u>339</u>	<u>(303)</u>	<u>446</u>
<b>Net (Loss) profit for the period</b>	<u>(23,391)</u>	<u>10,162</u>	<u>(41,997)</u>	<u>57</u>
<b>Net (loss) profit per share</b> (Note 6)				
Basic and diluted	<u>(0.15)</u>	<u>0.07</u>	<u>(0.27)</u>	<u>-</u>

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

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements

(Unaudited)

(expressed in Canadian dollars)

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Consolidated Statements of Comprehensive (Loss) profit	For the three-month period ended		For the six-month period ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Net (loss) profit for the period	(23,391)	10,162	(41,997)	57
<b>Other comprehensive loss</b> <b>Items that will be reclassified subsequently</b> <b>to profit or loss</b>				
Cumulative translation adjustment	<u>(5,829)</u>	<u>(1,781)</u>	<u>(12,687)</u>	<u>(12,717)</u>
<b>Comprehensive (loss) profit for the</b> <b>period</b>	<u>(29,220)</u>	<u>8,381</u>	<u>(54,684)</u>	<u>(12,660)</u>

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

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements (Unaudited)

(expressed in Canadian dollars)

### Consolidated Statements of Financial Position

	June 30, 2022 \$	December 31, 2021 \$ Restated (Note 2)
<b>Assets</b>		
<b>Current assets</b>		
Cash	39,652	39,905
Restricted cash	10,630	11,214
Trade and other receivables	47,924	50,562
Contract assets	8,870	10,623
Inventories	65,490	52,693
Finance leases receivable	412	410
Prepaid expenses	17,395	1,446
<b>Total current assets</b>	<b>190,373</b>	<b>166,853</b>
<b>Non-current assets</b>		
Finance leases receivable	12,291	9,053
Investment in associates and joint ventures	22,024	21,663
Deferred financing costs	3,616	3,616
Property, plant and equipment	37,786	42,901
Intangible assets	85,950	94,534
Goodwill	151,339	159,362
Other non-current assets	-	46
<b>Total non-current assets</b>	<b>313,006</b>	<b>331,175</b>
<b>Total assets</b>	<b>503,379</b>	<b>498,028</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Credit facility (note 7)	7,000	5,000
Trade, other payables and accrued liabilities	47,171	33,803
Contract liabilities	80,611	29,730
Current portion of long-term debt	15,541	13,956
Current portion of government royalty program obligation	121	207
Current portion of provisions	3,107	1,780
Income taxes payable	932	1,325
<b>Total current liabilities</b>	<b>154,483</b>	<b>85,801</b>
<b>Non-current liabilities</b>		
Long-term debt	62,004	69,308
Provisions	3,558	3,049
Deferred tax liabilities	23,084	25,234
<b>Total non-current liabilities</b>	<b>88,646</b>	<b>97,591</b>
<b>Total liabilities</b>	<b>243,129</b>	<b>183,392</b>
<b>Equity</b>		
Share capital	398,623	398,566
Contributed surplus	15,578	15,337
Accumulated other comprehensive loss	(28,522)	(15,835)
Deficit	(125,429)	(83,432)
<b>Total equity</b>	<b>260,250</b>	<b>314,636</b>
<b>Total liabilities and equity</b>	<b>503,379</b>	<b>498,028</b>

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

### Approved by the Board of Directors

(signed) William Becket Director

(signed) Peter Bowie Director

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(expressed in Canadian dollars)

	Number					Amount	
	Common shares	Warrants and Compensation Shares	Share capital – Common shares	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
			\$	\$	\$	\$	\$
<b>Balance – December 31, 2020</b>	<b>152,342,986</b>	<b>3,418,267</b>	<b>389,864</b>	<b>8,147</b>	<b>(915)</b>	<b>(59,808)</b>	<b>337,288</b>
Net profit for the period	-	-	-	-	-	57	57
Other comprehensive loss	-	-	-	-	(12,717)	-	(12,717)
Comprehensive (loss) profit for the period	-	-	-	-	(12,717)	57	(12,660)
Shares issued from public offering	-	-	(28)	-	-	-	(28)
Shares issued from the exercise of options	42,414	-	128	87	-	-	215
Shares issued following business acquisition	735,838	-	3,186	-	-	-	3,186
Warrants and compensation shares exercised	418,267	(418,267)	2,057	(551)	-	-	1,506
Share-based compensation expense	-	-	-	(97)	-	-	(97)
<b>Balance – June 30, 2021</b>	<b>153,539,505</b>	<b>3,000,000</b>	<b>395,207</b>	<b>7,586</b>	<b>(13,632)</b>	<b>(59,751)</b>	<b>329,410</b>
<b>Balance – December 31, 2021</b>	<b>154,717,934</b>	<b>7,500,000</b>	<b>398,566</b>	<b>15,337</b>	<b>(15,835)</b>	<b>(83,432)</b>	<b>314,636</b>
Net loss for the period	-	-	-	-	-	(41,997)	(41,997)
Other comprehensive loss	-	-	-	-	(12,687)	-	(12,687)
Comprehensive loss for the period	-	-	-	-	(12,687)	(41,997)	(54,684)
Share issued from the exercise of options	5,809	-	57	(263)	-	-	(206)
Share-based compensation expense	-	-	-	504	-	-	504
Warrants and compensation shares forfeited	-	(3,000,000)	-	-	-	-	-
<b>Balance – June 30, 2022</b>	<b>154,723,743</b>	<b>4,500,000</b>	<b>398,623</b>	<b>15,578</b>	<b>(28,522)</b>	<b>(125,429)</b>	<b>260,250</b>

Accumulated other comprehensive loss relates solely to cumulative translation adjustments

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

# Xebec Adsorption Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(expressed in Canadian dollars)

For the six-month period ended

June 30,

2022  
2021  
\$ \$

### Cash flows from

#### Operating activities

Net (loss) profit for the period	(41,997)	57
Items not affecting cash		
Depreciation and amortization (Note 3)	7,789	5,236
Inventory write-down	2,170	(14)
Accretion finance expenses and gain on revaluation of government royalty program obligation	4	8
Accretion of earn-out	340	-
Accretion of the obligation arising from shares issued by a subsidiary	-	120
Exchange gain (loss) on the obligation arising from shares issued by a subsidiary	789	(45)
Share-based compensation expense	314	138
Share of after-tax profit of equity accounted investees	(104)	162
Future income taxes	(785)	(120)
Remeasurement of investment	-	(21,122)
Other operating activities	959	870
Change in non-cash working capital balances related to operations (Note 8)	38,221	(8,595)

7,700 (23,305)

#### Investing activities

Business acquisitions, net of cash acquired	-	(55,048)
Acquisition of property, plant and equipment	(2,082)	(2,648)
Acquisition of intangible assets	(448)	(560)
Investment in finance lease	-	(1,555)
Transfer to restricted cash	413	(1,988)
Other investing activities	(171)	(5)

(2,288) (61,804)

#### Financing activities

Increase of credit facility	2,000	(15)
Payment of debt liabilities	(4,784)	(4,976)
Proceeds from issuance of share capital	-	1,460
Earn-out repayment	(1,972)	(220)
Repayment of government royalty program obligation	(90)	(85)

(4,846) (3,836)

#### Net (decrease) increase in cash during the period

566 (88,945)

#### Cash – Beginning of the period

39,905 160,938

Effect of exchange rate changes on cash

(819) (1,731)

#### Cash– End of the period

39,652 70,262

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

# **Xebec Adsorption Inc.**

Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 10, 2022.

## **1 Nature of business and summary of significant accounting policies**

Xebec Adsorption Inc. (“Xebec” or the “Company”) is a global provider of clean energy solutions and specialized in the design and manufacture of cost-effective and environmentally responsible purification, separation, dehydration and filtration equipment for gases and compressed air. Xebec’s main product lines are biogas upgrading systems for the purification of biogas from agricultural digesters, landfill sites and waste water treatment plants; natural gas dryers for natural gas refuelling stations; associated gas purification systems which enable diesel displacement on drilling sites; hydrogen purification and generation systems for fuel cell and industrial applications; on-site oxygen and nitrogen generators for industrial, energy and healthcare applications; and services for compressed air and gas businesses. The Company is incorporated and domiciled in Canada and is listed on the TSX Exchange under the symbol XBC. The address of its registered office is 730 Industriel Boulevard, Blainville, Quebec, Canada.

The continued spread of COVID-19 around the globe and the responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, have and may continue to lead to a general slow-down in the economy and to disruptions to our workforce and facilities, our customers, our sales and operations and our supply chain.

The full extent and impact of the COVID-19 pandemic remains unknown, and the future is very difficult to project.

The Company’s bad debt expense may increase, revenues and cash resources may be negatively affected, and the Company may need to assist potential customers with obtaining financing or government incentives to help them fund their purchases of our products. Any temporary suspension of production in Xebec facilities, or those of any of its suppliers, partners or customers, as a direct result of COVID-19 may have a material adverse effect on the Company.

### **Basis of compliance and basis of preparation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements do not include all of the information required for annual statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021, as they follow the same accounting policies and methods of application, unless otherwise indicated.

# **Xebec Adsorption Inc.**

Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

## **Use of estimates and judgments**

When preparing the condensed interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. On an ongoing basis, management reviews these estimates, which are based on its best knowledge of current events and actions the Company may undertake in the future. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the condensed interim consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual consolidated financial statements for the year ended December 31, 2021.



# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

### 2 Business combinations

The consolidated statement of (loss) profit of the Company for the three-month and six-month period ended June 30, 2021 and the financial position of the Company as at December 31, 2021 were restated to reflect the impact of the amortization of intangibles resulting from the finalization of the determination of the fair value of the assets acquired and liabilities assumed arising from the acquisition of HyGear and the adjusted determination of the fair value of the assets acquired and liabilities assumed arising from the acquisitions of Inmatec, Tiger Filtration and California Compression.

During the three months ended March 31, 2022, the Company completed its final assessment of the determination of the fair value of the assets acquired and liabilities assumed for Inmatec which was acquired in fiscal 2021.

During the three months ended June 30, 2022, the Company completed its final assessment of the determination of the fair value of the assets acquired and liabilities assumed for Tiger Filtration and California Compression which were acquired in fiscal 2021.

	Tiger	California Compression	Total	Adjustment	Restated
Trade and other receivables	821	2,143	2,964	(384)	2,580
Inventories	307	859	1,166	-	1,166
Other current assets	-	35	35	-	35
<b>Total current assets</b>	<b>1,128</b>	<b>3,037</b>	<b>4,165</b>	<b>(384)</b>	<b>3,781</b>
Property, plant & equipment	285	1,379	1,664	280	1,944
Intangibles	-	-	-	5,985	5,985
<b>Total non-current assets</b>	<b>285</b>	<b>1,379</b>	<b>1,664</b>	<b>6,265</b>	<b>7,929</b>
Trade, other payables and accrued liabilities	(1,096)	(2,403)	(3,499)	(444)	(3,943)
Contract liabilities	-	(215)	(215)	-	(215)
<b>Total current liabilities</b>	<b>(1,096)</b>	<b>(2,618)</b>	<b>(3,714)</b>	<b>(444)</b>	<b>(4,158)</b>
Future income taxes	-	-	-	(1,064)	(1,064)
Long-term debt	(284)	(963)	(1,247)	(1,034)	(2,281)
<b>Total non-current liabilities</b>	<b>(284)</b>	<b>(963)</b>	<b>(1,247)</b>	<b>(2,098)</b>	<b>(3,345)</b>
<b>Identifiable net assets</b>	<b>33</b>	<b>835</b>	<b>868</b>	<b>3,339</b>	<b>4,207</b>
Goodwill	19,516	7,130	26,646	(4,529)	22,117
<b>Total assets acquired</b>	<b>19,549</b>	<b>7,965</b>	<b>27,514</b>	<b>(1,190)</b>	<b>26,324</b>
Cash and Cash equivalent at acquisition	521	1,255	1,776	-	1,776
<b>Total purchase consideration</b>	<b>20,070</b>	<b>9,220</b>	<b>29,290</b>	<b>(1,190)</b>	<b>28,100</b>
Fair value of shares issued	-	1,271	1,271	(5)	1,266
Fair value of contingent consideration	2,112	-	2,112	(156)	1,956
Restricted cash and balance of acquisitions	-	410	410	-	410
<b>Total cash consideration paid at acquisition date</b>	<b>17,958</b>	<b>7,539</b>	<b>25,497</b>	<b>(1,029)</b>	<b>24,468</b>

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

The fair value of the acquired intangible assets amounts to \$5,895 and consists of non-compete agreement of \$584, trademark of \$518 and customer relationship of \$4,883

### 3 Segmented information

The Company operates three business segments and specializes in Systems, Support and Corporate.

The profitability measure employed by the Company for making decisions about allocating resources to segments and assessing segment performance is adjusted segment income. Adjusted segment income is a non IFRS measure calculated by taking operating income and excluding depreciation, amortization, integration and acquisition costs, and other gains and losses arising from significant transactions or material events, which gives an indication of the profitability of each segment excluding the impact of items not specifically related to the segment's ongoing performance.

Income (loss) summarized by business segment for the three-month period ended June 30 is as follows:

	Systems		Support		Corporate		Total	
	2022	2021	2022	2021	2022	2021	2021	
	\$	\$	\$	\$	\$	\$	\$	
Revenues	<b>28,536</b>	21,509	<b>15,965</b>	11,155	-	-	<b>44,501</b>	32,664
Gross margin	<b>(2,760)</b>	1,355	<b>4,516</b>	3,636	-	-	<b>1,756</b>	4,991
Gross margin %	<b>(10%)</b>	6%	<b>28%</b>	33%	-	-	<b>4%</b>	15%
Depreciation and amortization	<b>2,884</b>	2,472	<b>804</b>	521	-	-	<b>3,688</b>	2,993
Net (loss) income	<b>(6,803)</b>	(2,728)	<b>(490)</b>	724	<b>(16,098)</b>	12,166	<b>(23,391)</b>	10,162

Income (loss) summarized by business segment for the six-month period ended June 30 is as follows:

	Systems		Support		Corporate		Total	
	2022	2021	2022	2021	2022	2021	2021	
	\$	\$	\$	\$	\$	\$	\$	
Revenues	<b>55,323</b>	31,465	<b>30,371</b>	21,823	-	-	<b>85,694</b>	53,288
Gross margin	<b>(2,314)</b>	1,767	<b>8,654</b>	7,408	-	-	<b>6,340</b>	9,175
Gross margin %	<b>(4%)</b>	6%	<b>28%</b>	34%	-	-	<b>7%</b>	17%
Depreciation and amortization	<b>6,133</b>	4,284	<b>1,656</b>	952	-	-	<b>7,789</b>	5,236
Net (loss) income	<b>(10,575)</b>	(6,461)	<b>675</b>	2,280	<b>(32,097)</b>	4,238	<b>(41,997)</b>	57

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

The 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,	
	2022 \$	2021 \$	2022 \$	2021 \$
United States	27,453	16,888	51,988	26,036
Canada	4,433	3,983	9,557	8,941
Germany	2,389	8,941	5,027	11,908
United Kingdom	2,289	137	2,977	140
People's Republic of China	1,664	2,254	2,475	3,813
Turkey	1,560	2	1,736	37
Other	4,713	459	11,934	2,413
Total Revenues	44,501	32,664	85,694	53,288

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

	June 30, 2022 \$	December 31 2021 \$
Canada	40,970	60,869
Europe	221,275	219,198
United States	50,761	51,108
Total Non-Current assets	313,006	331,175

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

### 4 Other (gains) and losses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Foreign exchange loss (gain)	1,003	(163)	2,127	487
Loss (gain) on disposal of assets	-	-	-	31
Loss on conversion of shares issued by a subsidiary	-	2	-	(45)
Legal settlement and related costs	1,169	-	2,937	-
Late delivery and performance penalties	2,649	-	2,649	-
Remeasurement of investment	-	(21,122)	-	(21,122)
Integration and acquisition costs	809	1,342	1,621	2,370
Miscellaneous other (gains) and losses	(12)	-	-	-
Other (gains) and losses	5,618	(19,941)	9,334	(18,279)

For the three-month period ended June 30, 2022, costs related to acquisitions amounted to \$75 (2021 – \$903).

For the six-month period ended June 30, 2022, costs related to acquisitions amounted to \$229 (2021 – \$1,490).

### 5 Net finance expenses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Accretion of the obligation arising from shares issued by a subsidiary	-	73	-	120
Financing fees	363	184	700	369
Interest and bank charges	637	103	994	279
Guarantee letter fees	74	-	86	3
Interest on debt	1,445	1,128	2,689	2,134
Accretion and revaluation of government royalty program obligation	2	4	4	8
Finance income	(248)	(218)	(345)	(439)
	2,273	1,274	4,128	2,474

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

### 6 Income (loss) per share

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
Weighted average number of common shares outstanding	154,722,402	153,138,535	154,720,179	152,836,023
Dilutive effect on number of shares	-	768,347	-	1,667,611
Weighted average number of common shares outstanding for diluted earnings per share calculation	154,722,402	153,906,882	154,720,179	154,503,634

For the three-month period ended June 30, 2022, warrants, compensation options, compensation warrants, outstanding stock options and outstanding DSUs and RSUs to acquire 5,879,180 shares (2021 – 3,450,801) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect.

For the six-month period ended June 30, 2022, warrants, compensation options, compensation warrants, outstanding stock options and outstanding DSUs and RSUs to acquire 7,382,854 shares (2021 – 3,989,075) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect.

### 7 Credit Facility

In July 2022, the Company and National Bank of Canada's Technology and Innovation Banking Group executed a Forbearance Agreement to amend the Company's existing credit facility previously executed in February 2021, as amended on January 26, 2022 and June 30, 2022 (the "Credit Facility"). The entering into the Forbearance Agreement occurred mainly due to a default by the Company in complying with the Maximum Total Liabilities to Tangible Net Worth Ratio under the Credit Facility. The Credit Facility is now available until the earlier of September 30, 2022, or the occurrence of a termination event as defined in the Forbearance Agreement. The outstanding amount of the Credit Facility is \$25,250 (compared to \$59,250 as at December 31, 2021).

The amount due under the Credit Facility is secured by a first ranking hypothec of \$75,000 on all movable property of the Company.

As at June 30, 2022, an amount of \$7,000 was outstanding under the Operating and Acquisition Credit Facility with EDC (\$5,000 as at December 31, 2021) and an amount of \$7,007 was outstanding under the Letters of Guarantee Credit Facility (\$6,876 as at December 31, 2021). In addition, only the Credit Card Facility was used at the end of the second quarter.

As at June 30, 2022 Standby Fees of 0.70% are applicable on the unused portion of the Operating and Acquisition Credit Facility and the Pre-Shipment Credit Facility. Following the Forbearance agreement, the Standby fees on unused portion of the Operating Credit Facility was adjusted to 0.85%. With respect to the Credit Facility, the Canadian rate is plus 2.75% (2.25% under previous agreement), the US base rate is plus 2.75% (2.25% under previous agreement) and the acceptance fee is plus 4.25% (3.50% under the previous agreement).

In February 2022, the Company renewed its Account Performance Security Guarantee (Account PSG) Facility with Export Development Canada (EDC) until December 31, 2022, for an amount not to exceed \$16,500 (\$10,000

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

as at December 31, 2021). As at June 30, 2022 an amount of \$6,504 million was outstanding under this facility (\$5,763 as at December 31, 2021).

### 8 Supplemental Cash flow information

Changes in non-cash working capital balances are as follows:

	For the six-month period ended	
	2022	June 30,
	\$	2021
		\$
Cash (used in) provided by non-cash working capital:		
Trade and other receivables	1,837	(3,937)
Contract assets	1,753	4,063
Inventories	(15,492)	(11,136)
Other current assets	(15,904)	244
Other non-current assets	46	24
Trade payables accrued liabilities	14,088	(2,918)
Contract liabilities	50,303	3,870
Income tax payable	(315)	105
Provisions	1,905	1,090
	<b>38,221</b>	<b>(8,595)</b>
Income tax paid	140	187
Interest paid	3,683	2,381

### 9 Financial instruments

#### Measurement categories and fair values, including valuation methods and assumptions

The carrying values of cash, restricted cash, trade and other receivables, trade and other payables, accrued liabilities and credit facilities approximate their fair value due to their short-term maturities. The methods and assumptions used in estimating the fair values of other financial assets and financial liabilities are as follows:

- Long-term debt (classified in level 2 of the fair value hierarchy): The Company's long-term debt carries fixed interest rates. The fair value of the Company's debt obligations has been calculated by discounting the future cash flows of the long-term debt at the interest rate of similar debt instruments.
- Government royalty program obligation (classified in level 2 of the fair value hierarchy): Fair value of the government royalty program obligation has been calculated by discounting the future cash flows at the interest rate for a similar loan in the market.
- The Company's financial instruments that are measured subsequent to initial recognition at fair value and financial instruments measured at amortized cost for which the fair value is disclosed are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

# Xebec Adsorption Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the three-month and six-month period ended June 30, 2022 and 2021

(Unaudited)

(expressed in Canadian dollars)

Level 1 — Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 — Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying values and fair values of assets and liabilities by category as of:

	June 30, 2022		December 31, 2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$	\$	\$	\$
Cash	39,652	39,652	39,905	39,905
Restricted cash	10,630	10,630	11,214	11,214
Trade and other receivables	49,057	49,057	40,274	40,274
Finance lease receivables	12,703	12,703	9,463	9,463
Credit facility	(7,000)	(7,000)	(5,000)	(5,000)
Trade, other payables and accrued liabilities	(32,754)	(32,754)	(28,404)	(28,404)
Long-term debt	(62,529)	(70,455)	(68,964)	(74,749)
Government royalty program obligation	(121)	(121)	(207)	(207)

## 10 Related party transactions

The Company's transactions with equity accounted investees are as follows:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue	1,893	-	2,407	-

The Company's outstanding balances with equity accounted investees are as follows:

	June 30,	December 31,
	2022	2021
	\$	\$
Accounts receivables	1,731	1,141