



Investor Presentation

Second Quarter 2017



| **Forward-looking Statements**

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

Key Investment Considerations

- Strong **visibility on significant profitable and sustainable revenue growth** across several market verticals
- **Significant recurring revenue model** from 9,000 existing installations that require ongoing parts and service - creates foundation for near term profitability
- Proven track record and **leading proprietary technologies** across all product lines – over \$60M invested in technology development
- Strategically positioned in the **fast growing renewable energy** sector
- New membrane technology allows entry into **lucrative upstream oil and gas** market
- Respected and internationally **recognized with global base** of over 1,500 leading customers
- Existing **worldwide sales & distribution** network
- **Strong R&D** department and team



Who We Are

- Xebec is a gas generation, purification and filtration company that develops, designs and manufactures gas purification products and technology solutions for environmentally responsible applications in industry, transportation and the public sector.
- Established in 1967, Xebec has over 50 years of experience in adsorption technology, supplying more than 9,000 units to over 1,500 clients



Xebec products include:

- Hydrogen Purification Systems for industrial, petrochemical and fuel cell applications
- Biogas purification to renewable natural gas (RNG) from agricultural digesters, landfill sites and waste water treatment plants
- State-of-the-art CO₂ removal from Natural Gas
- Natural Gas Dryers for Natural Gas Vehicles refueling stations
- Energy-efficient Compressed Air and Gas Purification equipment & best-in-class Compressed Air and Gas Filters for a broad range of industrial and transportation applications



Our Customers



PetroChina

ExxonMobil



PERTAMINA

Internationally Recognized



- Headquarters in Montreal, Quebec, Canada
Manufacturing and Sales
- R&D in Montreal, Quebec, Canada
- Sales & Engineering Office in Houston, Texas
- Manufacturing and Sales in Shanghai
- Sales & Engineering Office in Brescia, Italy
- Sales Partners in Singapore, France, Austria, South Korea

Xebec is globally represented with more than 1,500 customers and 9,000 installations worldwide

Clean Technology

Renewable Natural Gas, Hydrogen & Renewable Hydrogen

Oil and Gas Processing

Natural gas purification and CO₂ removal via Membranes

Industrial Compressed Air & Gas Treatment

Industrial purification equipment, parts & service

Clean Tech - Renewables & Hydrogen

Clean Tech - Renewables & Hydrogen

- Opportunity is driven by government incentives as well as regulations to curb CO2 emissions
- 25 recent RNG projects completed, while over 200 Hydrogen purifiers are currently operating with more coming on stream in 2017
- Strong quote/order book for 2017; several signed purchase orders for 2017 to date and a solid order pipeline into 2018 and 2019
- Expansion of clean natural gas refueling infrastructure both in the U.S. and Canada, combined with renewable natural gas as a transportation fuel, are gaining traction
- A win-win business model: offer core technology for partners to develop and serve local markets while Xebec drives aftermarket revenue with its proprietary technology



We offer a full suite of proprietary technology products in the following categories:

- Biogas to renewable natural gas
- Hydrogen purification systems
- Natural gas dehydration units for refueling stations
- Solutions for the generation of renewable hydrogen (RH₂) including associated filtration & separation products

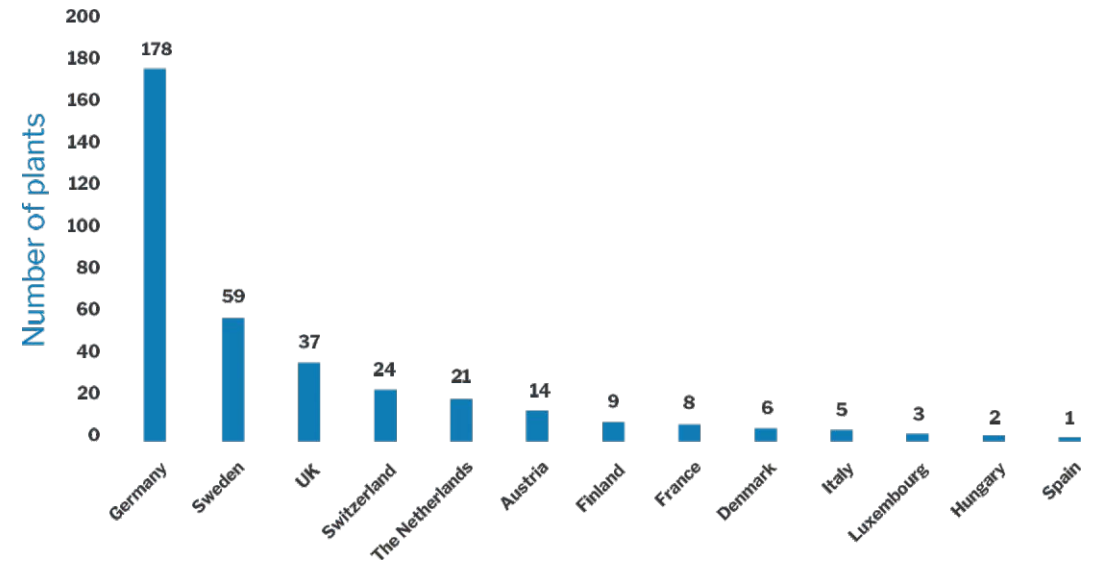
Growing interest in Canada and the U.S. with a growing number of projects in advanced negotiation (Carbon Credits/Trading)



RNG and Renewable Hydrogen - Market Size

- Xebec has an 11% global market share, 25 finalized projects and 21 on-going projects in the emerging RNG category
- Xebec estimates a 15% global market share in RNG by 2020
- The global RNG upgrading market will be worth an estimated \$4B by 2025 or \$350MM annually, with a CAGR of 26.9%

Continued growth in Europe, and increasing interest in North America and Asia



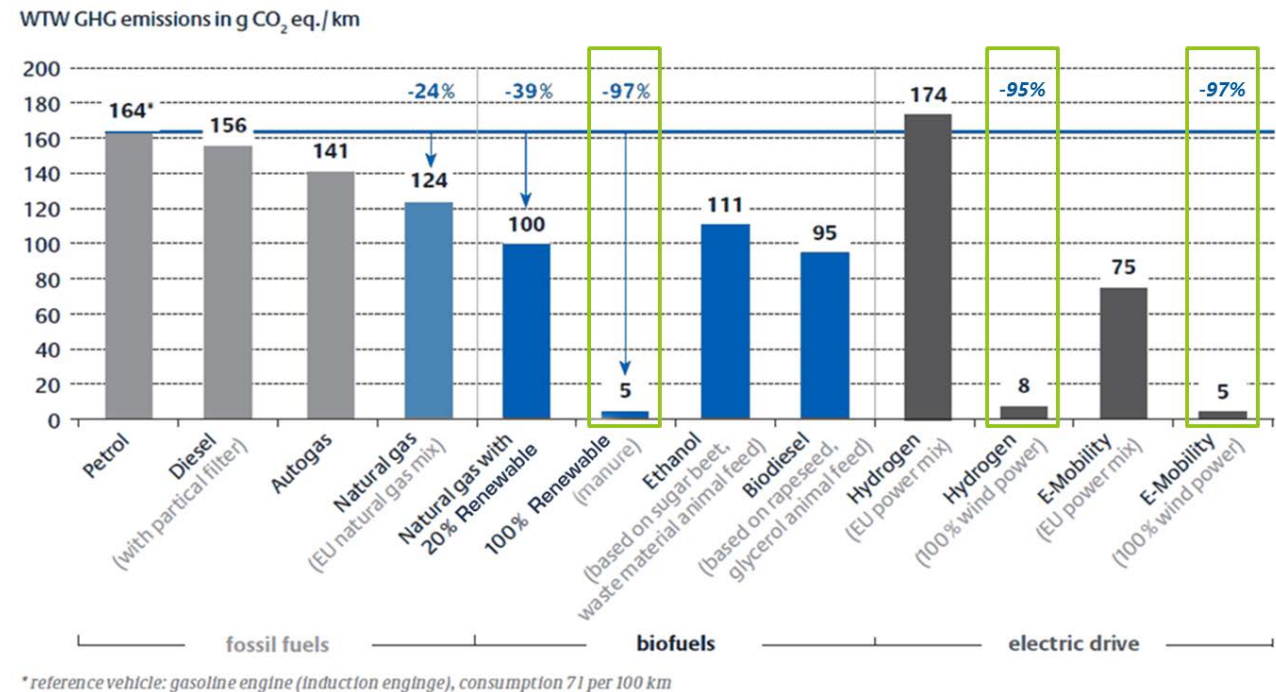
367 biomethane AD plants in Europe (31/12/2014)
Total upgrading capacity 310 thousands m3/h of raw biogas

Source: European Biogas Association - Biogas Report 2015
Research and Market - Global Biogas Upgrading
Market Analysis & Trends - Industry Forecast to 2025

RNG and Renewable Hydrogen - Market Size

- Annual production of Fuel Cell Electric Vehicles (FCEVs) is forecast to reach 50,000 per year by 2025
- FCEVs in transportation are forecast to increase to 250,000 by 2027 (0.1% of the U.S. vehicle population).
- Each FCEV requires about 0.5 kg of hydrogen per day; about 125 tons/day total by 2027 (30% legislated to be RH₂ in California)
- The market for renewable hydrogen is expected to grow to ~\$365 million annually by 2027 (currently ~\$30 million/yr)
- Currently, only fossil fuel is readily available, and today fossil merchant hydrogen production worldwide equates to about 150 tons/day

Renewable Hydrogen Opportunity



Source: NREL - Renewable Hydrogen Potential from Biogas in the United States, 2014
 Department of Energy - <https://energy.gov/eere>, German Energy Agency, <http://www.zevstates.us>

Solution: Clean Technology – Hydrogen Purification



**Client:
Nuvera**



Hydrogen Purifiers



**Hydrogen Forklift Truck
Refueling Station**

Solution: Clean Technology – Biogas to RNG Purification



**Client:
Sempra Utilities**



**Biogas
Upgrading Plant**



**Gas Pipeline
(Southern California)**



Oil & Gas Processing



- Xebec has introduced polyimide hollow fiber membranes to the upstream natural gas market for CO₂ removal. These membranes are highly efficient and superior to amine systems and to cellulose acetate membranes
- Field tests are completed – positive results have led to first sales
- Xebec can offer customers complete membrane-based natural gas processing systems, including pre and post-treatment options

Offshore



Field Treatment



Gas Processing Plant

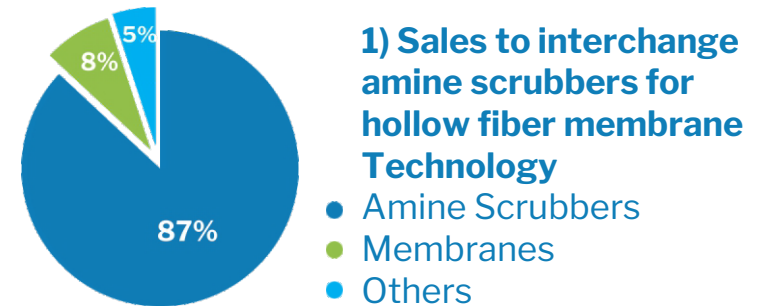


Membrane change out and installation of Xebec hollow fibre polyimide membrane

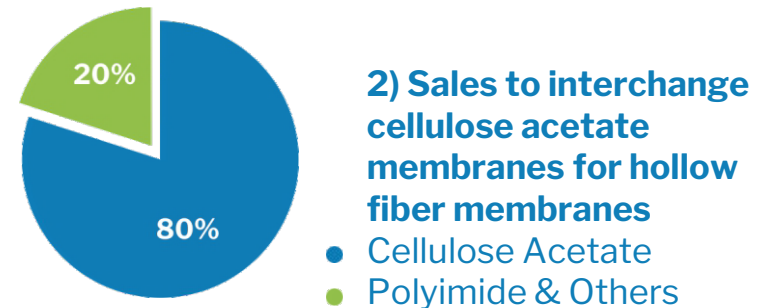


- Amine treatment plants currently account for ~87% market share of acid gas removal (mainly CO₂) systems
- Membrane technology accounts for only ~8% market share at the moment, with other technologies such as cryogenic separation and adsorption accounting for the remaining 5%
- Polyimide hollow fiber membranes are superior to the cellulose acetate membranes in use today and are designed for interchangeability with existing systems

There is a huge breakthrough potential on two fronts:



Market Share by Technology



Market Share by Membrane Material

Solution: **Oil & Gas Processing**



Client:
Consol Energy



Membrane Technology
CO₂ - Sweetening



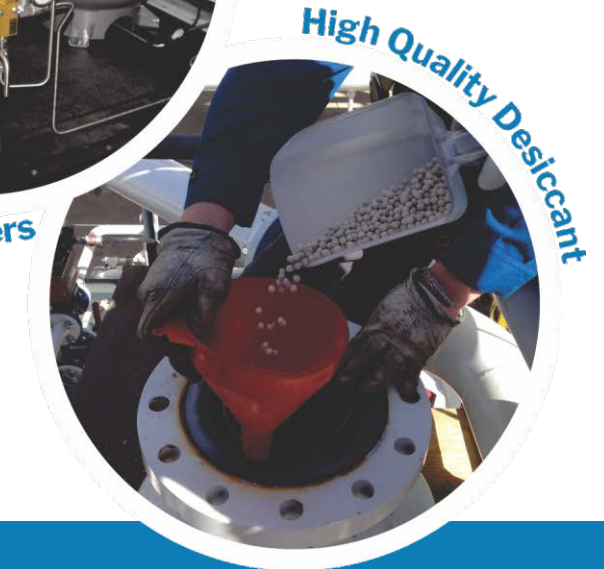
Pipeline Injection



Industrial Compressed Air & Gas

Industrial Compressed Air & Gas

- A historically high margin business that creates a significant recurring revenue base from sales of parts and service to over 9,000 currently operating global installations. Looking forward, we will likely be in the mid 50's in gross margin
- Xebec has invested heavily over the last few years in product development of additional purification products that can be sold to existing and new customers
- Xebec has established a roll-up strategy focused on acquiring small to mid-sized Compressed Air and Gas service businesses (\$3-5M revenue) throughout Ontario, Alberta and BC to create the leading national coverage air & gas treatment business
- Xebec is the **only** Canadian manufacturer of adsorption and membrane systems with a full product portfolio and all necessary Canadian Provincial certifications (CRN, CSA etc.) and is well positioned for growth



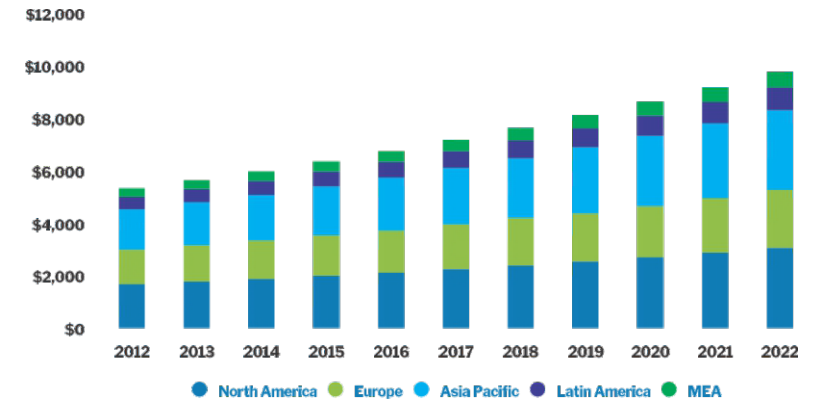
Industrial Compressed Air & Gas

● Global Market Approx. USD\$7 Billion that is expected to grow to USD\$10 Billion by 2022

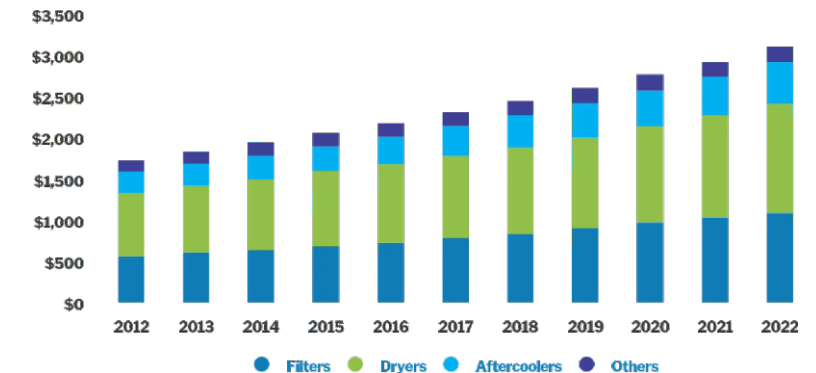
● U.S. Market Size approx. USD\$700 to \$800 Million for Xebec product categories

● Canadian Market Size approx. CDN\$60 to CDN\$70 Million, of which Xebec currently has a 9% market share, with a target of 30% by 2020

Compressed Air and Gas Industry size and forecast (USD Million) 2012-2022



Compressed Air and Gas N.A. market estimates by product (USD Million) 2012-2022



Source: OSHA, CAGI, ISO, Annual Reports, Primary Interviews, Global Market Insights

Solution: Industrial Compressed Air and Gas Treatment



Client:
Hydro Quebec



**High Pressure
Compressed Air Dryers**



**Supporting Hydro
Quebec's LG4 Plant**

Solution: Industrial Compressed Air and Gas Treatment



**Client:
Honda**



**Xebec Compressed
Air Dryers**



**Supporting the Honda
Car Plant in Alabama**

Business Drivers

- Increasing demand for small scale decentralized hydrogen production and purification solutions for fuel cell applications in transport and power generation
- Increased demand for renewable natural gas (RNG) as a low carbon fuel (advanced bio-fuel) in both Europe and North America
- Upstream oil and gas clients need to improve financial performance through a reduction in OPEX while implementing environmentally friendly and cost efficient natural gas purification solutions
- Companies wanting to reduce bottlenecks and delays due to capacity, performance and regulatory constraints are replacing outdated amine plants
- Increasing demand for Compressed Air and Gas equipment across the food & beverage, medical and pharma industries that can deliver cleaner, purer, oil-free, dry and sterile compressed air



Xebec's Path To Sustainable Profitable Growth

Focus on Profitability

1. Build & Market Clean Energy Solutions



- Focus on Hydrogen for Fuel Cells
- Expand RNG Opportunities in Europe
- Grow National & International Partnerships

Accelerate Growth

2. Enter & Grow Oil & Gas Processing



- Introduce a new generation of membrane solutions for Natural Gas & Hydrogen
- Continue market penetration with expanded product portfolio to grow the customer base

Drive Sustainability

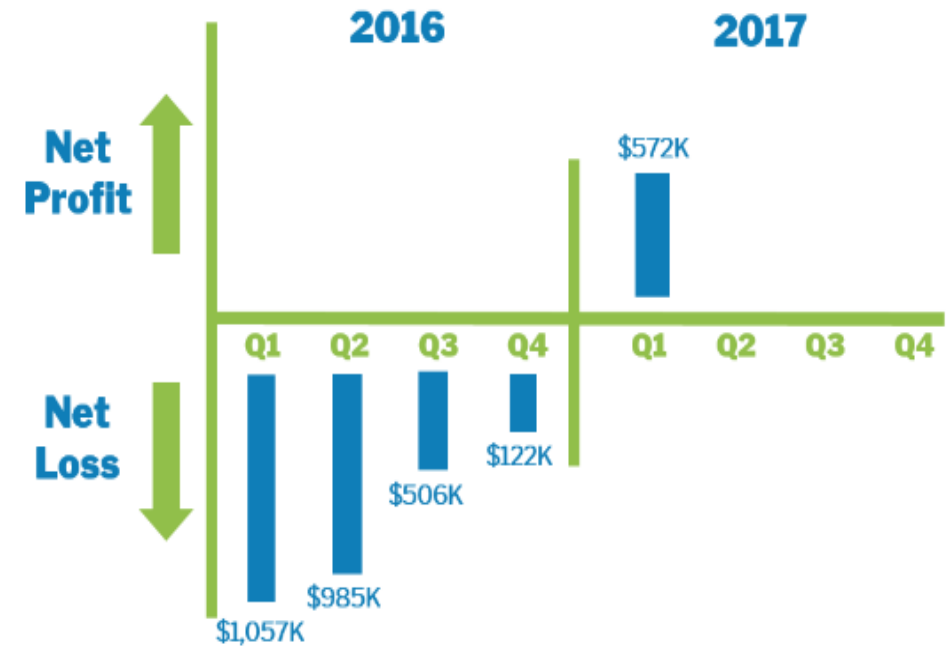
3. Drive Recurring Revenue



- Concentrate on Filtration, Parts & Service
- Broaden Product Portfolio
- Optimize Supply Chain Network
- Develop Acquisition Strategy

On The Road To Success

- Moving towards profitability
Full Year 2017 EPS forecast of \$0.01 to \$0.03
 - Financial Performance Q1/17
 - 35% Revenue Growth
 - 22% EBITDA
 - 17% Net Profit
 - 0.01 EPS
- Positioned for solid revenue growth of 60% to 80% in 2017 compared to 2016
- Visibility on accelerated growth beyond 2017 from contracts, project pipeline and opportunities



The Paving Stones



- A sustainable, profitable and recurring business model with attractive, additional business opportunities
- A Recurring Revenue segment that is rapidly paying off – sales are strengthening and the breadth of the product portfolio offers solid short term opportunities
- A solid reputation and good position to capture Renewable Natural Gas (RNG) contracts with new partnerships in Europe, North America and Asia
- Hydrogen purification opportunities tied to Fuel Cell Electric Vehicles and Fork Trucks are increasing, and Renewable Hydrogen (RH2) interest is growing
- Introduction of Natural Gas and Hydrogen Membrane products for the Upstream Natural Gas Processing and Petrochemical Markets has started in November 2016, and first sales orders have been received in early 2017

Why invest in Xebec?

● WELL POSITIONED



- Strategically positioned in the fast growing renewable energy sector
- 3 business verticals include clean tech, oil and gas and industrial compressed air and gas treatment

● WINNING TEAM



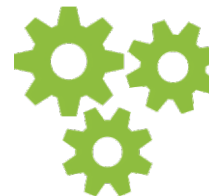
- Globally experienced and accomplished Management team and active, participating Board

● GROWING MARKET



- Enormous industry size in the billions globally across Xebec product verticals
- Improving financial margins and performance
- Growing recurring revenues from >9,000 existing installations

● LARGE R&D INVESTMENT



- Over \$60M invested in technology development to date resulting in cutting edge and commercially viable products

| Management Biographies



Kurt Sorschak – Chairman of the Board, President & CEO

Mr. Sorschak co-founded Xebec Adsorption Inc., and developed it from a local compressed air and gas dryer manufacturer into an internationally active gas purification company. He played an important role in establishing strong relationships with different universities and laboratories in Canada and the US for the development of innovative adsorption and membrane based gas purification and separation solutions for natural gas, hydrogen and renewable derivatives thereof. He is particularly interested in the development and deployment of technologies that will help reduce carbon emissions.



Louis Dufour – Chief Financial Officer (CFO)

Mr. Dufour has more than 20 years of corporate finance and operational experience, most recently as CFO and Vice President Finance, for Clifton Star Resources Inc., a publicly traded mining company in Abitibi, Quebec. He has extensive experience in financial oversight, cost accounting, IT implementation, risk management, M&A integration, and governmental negotiations.



Dr. Prabhu Rao – Chief Operating Officer (COO)

Dr. Rao was CEO of McPhy Energy North America, a leading manufacturer of equipment that optimizes electricity resources based on a unique hydrogen storage technology, along with technology for hydrogen production by water electrolysis that has been reinvented and perfectly adjusted to the production needs of renewable energy. Dr. Rao holds a Master's and PhD degree in Mechanical Engineering from Drexel University in Philadelphia

Management Biographies



Parag Jhonsa – VP, Business Development Oil & Gas | President Xebec USA Inc.

Mr. Jhonsa brings over 20 years of experience in the energy field in operations, QHSE, business development, engineering, and project and production management. Prior to joining Xebec, he was President and General Manager with ProSep USA Inc. where he led the business unit that provided the oil and gas industry with custom--engineered process equipment for oil, gas, and water processing and purification. In early 2017 he was selected to lead the Oil & Gas Business Segment of Xebec. Mr. Jhonsa holds both a Bachelor's and Master's degree in Chemical Engineering



Dr. Amir Ghasdi – Director, Business Development Clean Technology

Dr. Amir Ghasdi is an expert in the field of adsorption-based gas purification and separation. He started his career as R&D manager for Xebec and in 2015 became Director of Business Development for Advanced Gas Purification Systems. In early 2017 he was promoted to lead the Clean Technology Business Segment. He holds a PhD degree from the University of Laval, and is in the process of obtaining his MBA from the Molson School of Business at Concordia University in Montreal



Dr. Peter Cheng – General Manager, Xebec China

Over the past 20 years, Dr. Cheng has held various executive positions with ABB, Ontario Power Generation, Hong Kong and China Gas Investment Limited, as well as A.T. Kearney, in the fields of energy business development, strategic planning, and engineering and operations improvement. He holds a Ph.D. in mechanical engineering and an MBA, majoring in finance and strategy. Dr. Cheng is a professional engineer in Ontario, a qualified senior engineer in China, a member of the American Society of Mechanical Engineers, an advisor to the Enterprise Management Committee of the China Gas Association, and an expert in the category of foreign technology and economy in China

Capital Market Profile

- Exchange and Ticker Info: TSXV: XBC
- Corporate Headquarters: Montreal, Canada
- Shares Outstanding: 40,504,367
- Shares Fully Diluted: 53,994,064
- Stock Price (date): 0.35 (May 31)
- 52 Week High / Low: \$0.08 - \$0.44
- Market Capitalization on Date: 14,176,528
- In Business Since: 1967
- Number of Employees: 75
- Last Q1 2017 Revenues: \$3.3MM
- Inside Ownership %: 23%
- Institutional Ownership %: 6%



Thank you

Kurt Sorschak
President & CEO

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