Xebec Adsorption Inc.
Management's Discussion and Analysis
Third Quarter ended September 30, 2021

November 10, 2021

Additional information relating to the Company can be found on SEDAR at www.sedar.com

The following Management's Discussion and Analysis ("MD&A") provides a review of Xebec's results of operations, financial condition and cash flows for the period ended September 30, 2021. This discussion should be read in conjunction with the information contained in the Company's consolidated Financial Statements and related notes for the periods ended September 30, 2021, and September 30, 2020. Additional information can be found on SEDAR at www.sedar.com.

The financial information presented herein has been prepared based on International Financial Reporting Standards (IFRS) for financial statements and is expressed in Canadian dollars unless otherwise stated.

In this MD&A, unless otherwise indicated or required by the context, "Xebec", "the Company", "we", "us", "our", "our Company", "the Group" and "our Group" designate, as the case may be, Xebec Adsorption Inc. or Xebec Adsorption Inc. and its subsidiaries.

The Company's other subsidiaries are designated as follows: "Xebec Holding USA" for Xebec Holding USA Inc.; "Xebec Shanghai" for Xebec Adsorption (Shanghai) Co. Ltd. (until its deconsolidation as at June 25, 2021); "Xebec Europe" for Xebec Adsorption Europe SRL; Xebec Europe B.V.; "CAI" for Compressed Air International Inc.; "ACS" for Applied Compression Systems Inc.; "RNG Holding" for Xebec RNG Holding Inc.; "GNR Bromont" for GNR Bromont L.P.; and "GNRQC" for GNR Quebec Capital L.P.

Xebec Holding USA Inc. has eight subsidiaries, "CDA" for CDA Systems LLC; "Xebec USA" for Xebec Adsorption USA Inc; "Air Flow" for Enerphase Industrial Solutions Inc.; "Titus" for The Titus Company; "Nortec" for Nortekbelair Corporation; "California Compression" for California Compression, LLC; and "Wisconsin" for XBC Flow Services – Wisconsin inc and "UEC" for UEC, LLC.

Xebec RNG Holdings Inc. has two wholly owned subsidiaries, GNR Bromont Management Inc. and GNR Quebec Capital Management Inc., both of which are wholly owned. GNR Bromont Management Inc. owns the 1% remaining of GNR Bromont L.P. and GNR Quebec Capital Management Inc owns 0.001% of GNR Quebec Capital L.P. Also, the fiscal year ending December 31, 2020 and those ended in prior years are sometimes designated by the terms "Fiscal 2020" and so on.

Xebec Europe B.V. has two wholly owned subsidiaries: Xebec Deutschland GmbH and Green Vision Holding B.V. which are wholly owned. Green Vision Holding B.V fully owns HyGear Technologies and Services B.V. that has six subsidiaries: HyGear Operations B.V., HyGear B.V., HyGear Asia PTE LTD, HyGear Fuel Cell B.V. and HyGear Hydrogen Plant B.V., which are wholly owned and Buse – HyGear LTD which is 50% owned. Buse-HyGear LTD is expected to start its activities in the first quarter of 2022. Xebec Deutschland GmbH has three wholly owned subsidiaries: Xebec Komplementar GmbH, Inmatec Gase Technologie GmbH & Co. KG and Inmatec Gas Technology FZC RAK.

Xebec Holding UK Limited has one wholly owned subsidiary: Tiger Filtration Limited (Tiger Filtration).

The information contained in this MD&A and certain other sections of this report also includes some figures that are not performance measures consistent with IFRS, such as earnings (loss) before interest, tax, depreciation and amortization ("EBITDA"), and Adjusted EBITDA (excluding integration and acquisition costs, and other gains and losses arising from significant strategic transactions or material events). The Company uses EBITDA and Adjusted EBITDA because these measures enable management to assess the Company's operational performance. These measures are widely accepted financial indicators of a company's ability to repay and assume its debt. Investors should not regard them as an alternative to operating revenues or cash flows, or as measures of liquidity. As these measures are not established in accordance with IFRS, they might not be comparable to those of other companies.

The information contained in this MD&A accounts for any major event occurring up to November 10, 2021, the date the Board of Directors approved the Consolidated Financial Statements and MD&A for the period ended September 30, 2021. It presents the Company's status and business context as they were, to management's best knowledge, at the time this report was written.

This document contains forward-looking statements, which are qualified by reference to, and should be read together with, the "Forward-looking Statements" cautionary notice on page 43 of this MD&A.

Table of Contents

1. OUR BUSINESS

About Us

Established in 1967, Xebec has over 50 years of experience in adsorption technology, supplying more than 18,000 units to clients worldwide.

Today, Xebec is a global provider of clean energy solutions for renewable and low carbon gases used in energy, mobility and industrial applications. The company specializes in deploying a portfolio of proprietary technologies for the distributed production of hydrogen, renewable natural gas, oxygen and nitrogen. By focusing on environmentally responsible gas generation, Xebec has helped thousands of customers around the world reduce their carbon footprints and operating costs. Headquartered in Québec, Canada, Xebec has a worldwide presence with eight manufacturing facilities, thirteen Cleantech Service Centers and five sales offices spanning over four continents.

Vision. Mission. Purpose. People.

Xebec's **Vision** is "A world powered by clean energy".

Xebec's **Mission** is to enable our world to transition to a low-carbon future by accelerating the production of renewable gases.

Xebec's **Purpose** is profitable growth for a sustainable future as only a profitable company will have the strength and resources to support its employees, satisfy its shareholders, grow the company and the economy, and contribute positively to society while preserving and safeguarding our environment.

Xebec's **People** work hard to deliver profitable growth. Our senior leaders set direction, create customer focus, define clear and visible values, and communicate high expectations and goals for the organization. Our strategies, systems, and methods for achieving performance excellence are developed to stimulate innovation, build knowledge and capabilities in an environment of respect, trust, diversity and teamwork.

Profitable growth is also the foundation for attracting and retaining talented, motivated and engaged employees. We are focused on building highly skilled and motivated teams that can meet the end-to-end needs of a rapidly developing company and support the evolving renewable gas industry.

- Over 500 employees worldwide to date
- Over 20 departments in a full range of disciplines from Sales, Finance, HR, Design, Engineering, Manufacturing, Production, Quality, Logistic, Service and Others
- 6 engineering specialties including Process, Mechanical, Electrical, Controls, Manufacturing and Service Engineering.
- A wealth of skills including specialized and technical degrees, masters and doctorates
- A culturally diverse workforce with more than a dozen nationalities and languages from the global community

Our Products

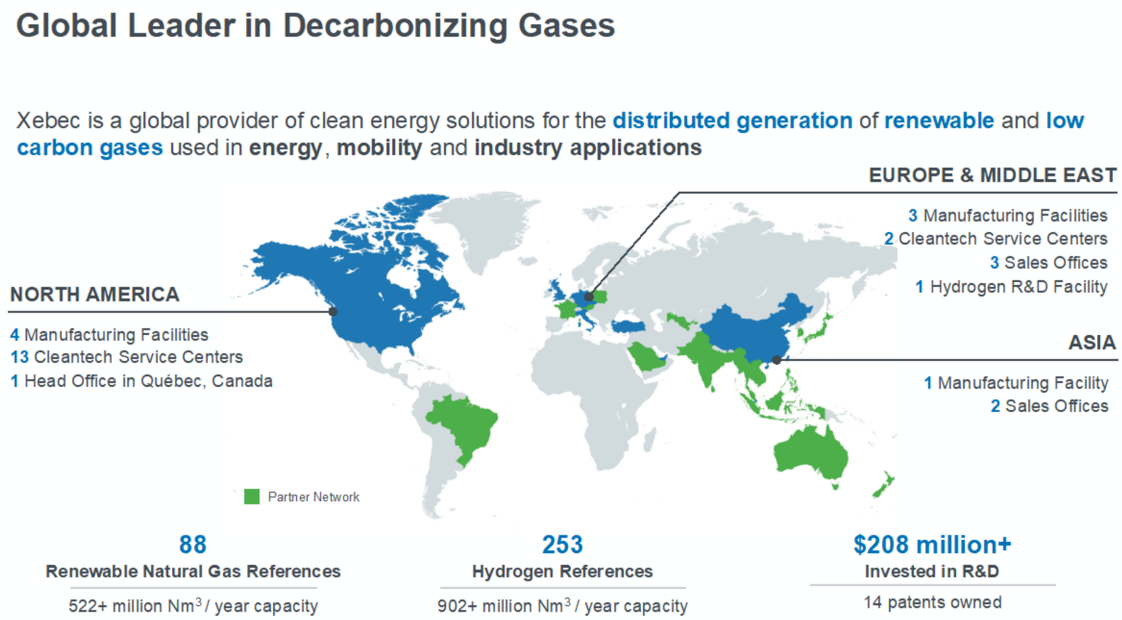
- Systems and equipment to convert biogas to renewable natural gas (“RNG”) from agricultural waste, source separated organics facilities, landfill sites and wastewater treatment plants
- Hydrogen generation and purification systems for energy, mobility and industrial applications
- Systems for renewable hydrogen generation from the steam methane reforming of RNG
- Systems for renewable hydrogen generation from electrolysis of renewable electricity
- Gas processing systems for removal of CO2 from assorted gas streams
- On-site oxygen and nitrogen generators for industrial, energy and healthcare applications
- Natural gas dryers for natural gas vehicles refueling stations
- Energy-efficient compressed air dryers and compressed air and gas filters for a broad range of industrial applications
- Air and gas as compressors and vacuum pumps
- Custom gas purification systems for a variety of gas streams

Our Customers and Suppliers

Our technologies are deployed throughout the world and cover industries as diverse as renewable energy, industrial gases, commercial and industrial manufacturing operations, health care establishments, petrochemical and pharmaceuticals.

International Footprint and Certifications

Xebec has established a direct presence and is focused on North America, Europe, Middle East, and Asia; however, our business is global with deliveries in South America and Africa as well. Xebec works with several partner firms to establish a presence in new markets of interest. Xebec has obtained a variety of product and process certifications for the delivery of its products and systems in several different jurisdictions, including Europe, North America, Africa, Middle East and Asia.



Technology

Adsorption

Almost all industrial gases, whether they are inert, flammable, acid, reactive, or oxidizing, can be purified or dried using what is commonly known as adsorption technology. Adsorption technology is used to remove targeted impurities or separate bulk mixtures. This technology is used in many industrial gas treatment processes including biogas separation and purification, hydrogen production and recovery, air separation, and oxygen enrichment for medical applications as well as drying applications for air, natural gas, carbon monoxide, carbon dioxide, sulfur dioxide, acetylene, propylene, propane, and syngas.

Pressure Swing Adsorption ("PSA")

Xebec's proprietary technology replaces the complex and bulky network of piping and valves used in conventional Pressure Swing Adsorption ("PSA") systems with two compact, integrated valves. Especially for biogas to RNG, Xebec's advanced biogas upgrading systems improve methane recovery rates, reduce operating costs and, consequently, improve the profitability of the project for the owner. Xebec's rotary valve technology is also integrated into some of its advanced hydrogen and gas purification products which operate at significantly higher cycle speeds (up to 50 cycles/minute) than conventional PSA systems. This results in a direct reduction in the amount of adsorbent material, the size of the equipment and the amount of energy required to purify a given volume of feed gas.

Xebec has one of the most compact, cost-effective and reliable PSA technologies available on the market. With minimal pressure drop, remarkable uptime performance, and occupying a fraction of the footprint of conventional systems, Xebec PSA systems have earned a reputation for easy, flexible installation and problem-free, economic performance.

Xebec's Proprietary PSA Advantage

- Proprietary and proven technology
- Lowest life cycle cost systems
- Reliable, quality reputation with thousands of adsorption units in the field
- In-house capabilities in relevant engineering discipline and complete production expertise
- A unique, win-win business model: sell innovative products to partners who then develop and serve local markets while Xebec drives aftermarket revenue with its proprietary technology; or offers complete systems to end-users in clearly identified markets
- Commercial readiness to take advantage of opportunities driven by government incentives as well as regulations to curb CO2 emissions in transportation

Filtration

Air and gas filters are used to separate liquid droplets, particles or solid contaminants, and oil vapor out of air and gas flows. Xebec offers a range of specialized filters, including natural gas filters for onboard natural gas-fueled vehicles.

Steam Methane Reforming

Hydrogen today is predominantly generated in two different ways. Xebec, through the acquisition of HyGear in December 2020, miniaturized the most common technology to generate hydrogen on-site and in a decentralized manner. The systems are built inside shipping containers, which makes them easy to transport and small in environmental footprint. These systems are based on the steam methane reforming (SMR) technology, a process by which hydrogen is created out of water and natural gas. These hydrogen generation systems operate autonomously; once the system is installed at a customer's site and connected to the grid, the system has no need for an operator. It automatically follows the demand levels and increases or decreases its production based on the requirements of the customer.

Electrolysis

Xebec's second hydrogen generation technology is based on electrolysis, a process by which hydrogen is generated from water and electricity. The company's systems are based on alkaline stacks, as this is a reliable and cost-effective solution for electrolysis. These systems are slightly larger compared to the SMR systems and for that reason only the 50 m3/h and 100 m3/h systems are built inside shipping containers. The larger systems, 150 m3/h and 250 m3/h, are both skid mounted. Like the SMR based systems, the company's electrolyser systems are automated, do not require an operator, and can be load-following to ensure the customer always receives the correct volume of hydrogen.

Oxygen and Nitrogen On-site Generation

Using a form of adsorption and membrane-based technology, Xebec leverages these two proprietary technologies for generation of oxygen and nitrogen on-site. With nitrogen and oxygen production directly on site, companies avoid delivery bottlenecks and support the protection of the climate and the environment with the help of environmentally friendly gas generation.

2. OUR BUSINESS SEGMENTS

Systems - Cleantech

Renewable Natural Gas (RNG)

RNG is a significant opportunity for Xebec in the immediate term. Climate change is driving the energy transition toward 100% renewables, including the displacement of fossil natural gas with RNG. As much as wind and solar have been the prevalent renewable energy sources over the past 20 years, we believe that we are now at the cusp of similar robust growth for RNG**.**

Climate change is the macroeconomic driver for the adoption of renewable, zero-carbon energy. For RNG, gas utilities are an additional adoption driver. As electricity utilities are successfully shifting to renewable solar and wind energy, gas utilities are 20 to 25 years behind in their adoption of renewable energy. This is leaving them in a precarious position as they face declining demand for their products and services, driven by an acceleration toward electrification of their customer base, especially in home-heating, water heaters, and gas stoves. Investors in gas utilities are starting to see the prospect of significant losses and hundreds of billions of dollars of stranded gas assets if the business model does not shift quickly towards renewable gases. The good news is there is increasing alignment between policymakers and gas utilities to support this shift towards renewable natural gas and hydrogen with appropriate legislation and regulation.

In Europe, several countries have announced targets to be completely fossil fuel-free by 2050, implying a complete shift to 100% renewable natural gas and hydrogen. Accordingly, gas utilities are assessing their transition timelines and some major energy players in Europe, like Engie in France (former Gaz de France), have announced plans to be 100% renewable gas by 2050.

The transition towards 100% RNG is expected to evolve in three phases, starting with anaerobic digestion (organic waste converted to RNG), followed by pyro-gasification (the conversion of cellulosic forestry waste to RNG), followed by Power-to-Gas or P2G (the conversion of electricity to hydrogen, combined with CO_2, for energy storage). Xebec has a position in each of these commercial opportunities, either through gas purification or through methanation technology which is applicable to P2G.

Hydrogen, Green Hydrogen and Industrial Hydrogen

As a result of the recent acquisition of HyGear, Xebec acquired leading small-scale steam methane reforming and electrolysis technology and a reference base of more than 66 active hydrogen generation installations worldwide to accelerate entry into the fast-growing hydrogen fuel market. The acquisition of HyGear positions Xebec to execute and accelerate its distributed hydrogen generation strategy. The acquisition of new technology, and the access to new markets enables Xebec to launch a commercially viable renewable (green) hydrogen product offering.

Xebec considers hydrogen purification for fuel cell applications and Green Hydrogen as fuel for fuel cell electric vehicles (FCEV) to be another significant opportunity over the next decade and beyond. As fuel cells gain traction, the market will look for specialized purification solutions in a compact design. Xebec is already working with several fuel cell manufacturers in Europe, North America and China to provide such equipment for their refueling and/or hydrogen production equipment.

Xebec has also formed partnerships in the hydrogen space that will allow us to offer integrated systems from hydrogen generation to refueling, namely with FuruiHP in China, JNK Heaters in South Korea, Coregas (a Wesfarmers company) in Australia and New Zealand and Plug Power in the U.S. In Shanghai, Xebec Joint Venture partner, Shenergy Energy, has been nominated to build-out the Shanghai hydrogen refueling infrastructure.

Xebec will be able to gradually transition into the emerging hydrogen mobility space by providing on-site hydrogen generation and supply of hydrogen for refueling station as mobility applications become more prevalent.

According to the Hydrogen Council, the demand for hydrogen will increase significantly, with impressive numbers by 2050.

Renewable Natural Gas, Green Hydrogen and Industrial Hydrogen Market Size

RNG Market – Urgency is driven by new environmental targets and governmental policy/regulations incentivizing utilities and businesses to use renewable gases. As a result:

- Prices for RNG are anywhere from $9 to $105 MMBtu, or 3 to 30x the price of fossil natural gas.
- System and equipment sales currently exceed $10.9B in Xebec's target markets. Based on announced projects in these regions, Xebec estimates a potential of over 8,000 installations in its core markets
- In addition, as the cost of biogas products continues to decrease there is a significant market for small scale biogas solutions globally in the sub 450 Nm3/hr flow rate, expected to be hundreds to thousands of systems per year in the markets we are operating in.
- Xebec introduced the BGX Biostream™ ("Biostream"), a standard product to address the sub 450 Nm3/hr segment.

Green Hydrogen Market – Emerging hydrogen demand is driven by the need for hydrogen as an energy carrier for the transportation, energy and energy storage markets.

- Organizations and countries around the world are becoming deeply invested in hydrogen, such as Hyundai's $6.7 billion investment to boost fuel-cell output; Germany's Green-Hydrogen research funding of €780 million; and Japan's Ministry of Economy, Trade, and Industry's hydrogen funding of approximately $560 million in 2019
- Fuel Cell & Hydrogen Energy Association's pathway report shows by 2025, total U.S. hydrogen demand could reach 13 million metric tons across applications, with up to 125,000 material-handling FCEVs in the field, and up to 200,000 light-, medium-, and heavy-duty FCEVs traveling on U.S. roads. Each light duty FCEV requires about 0.5 to 1.5 kg of hydrogen per day while a heavy-duty FCEV could use 20-50 kg/day. China's FCEV strategy is mainly focused on heavy-duty trucks and buses where the hydrogen consumption is much larger and the demand for hydrogen is higher. Beijing mapped out a plan in 2019 to increase the number of hydrogen filling stations to 1,000 and have one million FCEVs on the road by 2030.
- As the on-road FCEV market evolves globally the need for green hydrogen is expected to grow. Green hydrogen can be produced through electrolysis using renewable electricity, or through steam methane reforming of RNG. Its attractiveness is from the low carbon content compared to fossil natural gas derived hydrogen, making it ideal for low carbon transport fuels.
- One pathway for renewable hydrogen is the reforming of RNG in SMR units. As announced by industry participants like Nikola, Budweiser, Cummins and Hanwha there is an urgent need to deploy distributed hydrogen fueling infrastructure to support the launch of the heavy-duty trucking fleets with fuel cells. The potential for on-site hydrogen generators at truck stops is significant, and according to available data could initially be 600 to 1,000 on-site containerized SMR units.
- Through the combination of Xebec's RNG and HyGear's SMR technology, Xebec will be able to offer clients low-cost onsite generated green hydrogen that can be used in transportation that will qualify for renewable identification numbers (RINs) under the U.S. Renewable Fuel Standard (RFS).

Industrial Hydrogen Market – Subset of the industrial gas market for industrial users that need hydrogen, oxygen or nitrogen in their production process.

- The main players in the industrial gas markets are Air Liquide, Linde, Praxair and Air Products. These companies collectively have more than 50% market share of the entire industrial gases production market. The industrial gas market consists mainly of hydrogen, nitrogen and oxygen. These gases are utilized in industry today and all have their own specific uses. Hydrogen has the largest share with an estimated output of 115 billion Nm3 by 2023 (Freedonia, World Hydrogen Report, 2014).
- Hydrogen is used in various industries and not all of these industries are inside the scope of Xebec's capabilities. Xebec focuses on merchant (bulk) quantities for hydrogen supply. The

bulk segment covers roughly 28% of the market based on the revenue split of Linde which is equal to an estimated amount of 32.2 billion Nm3 by 2023 (based on Linde's Annual Report, 2019).

- A selection of industries use hydrogen in their production process and are within the scope of Xebec, including flat glass, metal, food and semiconductor industries. These industries have hydrogen consumption that varies on average between 50 Nm3/hr and 700 Nm3/hr, and are dependent on the type of product the customer manufactures and the size of the factory. By combining multiple hydrogen generation systems, Xebec expects to be able to meet hydrogen demand for many of these factories.

On-site Oxygen and Nitrogen Generation

As a result of the acquisition of Inmatec, several products are offered for the on-site generation of nitrogen and oxygen, which significantly reduces the burden on the environment and costs for customers. The compact generators have no need for cylinders and bundles to be delivered by truck on a regular basis. Moreover, rides from tank trucks for filling tanks are omitted. This results in environmentally friendly gas generation through reduced CO2 emissions, particulate matter, delivery bottlenecks and congestion on the road network.

Furthermore, on-site oxygen generators are used directly in the production of biogas and renewable natural gas. Oxygen is used to desulphurize (remove H_2S) biogas plants where a targeted and accurately dosed addition of oxygen is introduced into the fermenter to promote bacteria development. The bacteria gained in this way decompose the hydrogen sulphide microbially and, in doing so, help prevent damage to biogas production plants.

Industrial Oxygen and Nitrogen Markets

- Global oxygen market of approximately $30.0 billion worldwide
- Global nitrogen market of approximately $26.1 billion worldwide

Product Lines

We offer a full suite of products based on proprietary technologies in the following categories:

- Biogas to RNG systems under the BGX Solutions® brand
- Hydrogen purification systems under the H2X Solutions® brand
- Natural gas dehydration units for refueling stations – NGX Solutions®
- SMR products for production of hydrogen from (renewable) natural gas under the Hy.GEN brand
- Electrolysis products for production of hydrogen from electricity under the Hy.GEN-e brand
- On-site oxygen and nitrogen generators under the Inmatec brand

Support – Industrial Products & Services

Xebec designs, develops, builds, and sells a range of products including compressed air dryers for industrial applications under its ADX Solutions® brand; a complete range of compressed air and gas filtration products under its FSX Solution® brand; as well as alternative brand replacement parts.

With 50+ years of global experience servicing our 18,000+ units and over 300+ gas installations, service, maintenance and operational support round out Xebec service offerings. With our current focus on renewable gas projects, our ability to provide local service and support is a foundational component of our strategy and a key competitive differentiator.

- Xebec has established a roll-up strategy focused on acquiring small to mid-sized compressed air and gas service businesses ($5 to $10 million revenue) throughout Canada and the U.S. to create a leading Cleantech Service Network, capable of supporting North American renewable gas installations
- Xebec can capitalize on this historically high margin business to create a significant recurring revenue base from sales of parts and service to over 18,000 currently operating global installations
- Xebec is the only Canadian manufacturer of gas adsorption systems with a full product portfolio and all necessary Canadian and Provincial certifications (CRN, CSA etc.) and believes it is well positioned for growth

Market Size for Xebec's Industrial Products

- U.S. market approximately USD $700.0 to $800.0 million
- Canadian market for Xebec products approximately $60.0 to $70.0 million
- Xebec is targeting Industrial service and support revenues of $250.0 million by 2025 through a combination of acquisitions and organic growth

Product Line & Services

- Compressed air and gas compression packages, dryers and filters
- On-site air dehydration under the ADX Solutions® brand
- Products for the filtration & separation of air and gases under FSX Solutions®
- Industrial process chillers
- Fluid savers and pumping stations
- Spare parts and replacement filter elements
- Dew-point probes and calibration services
- Regular and 24-hour emergency compressed air service & maintenance

Renewable Gas (Infrastructure)

Activity in this segment is being driven by newly established renewable gas requirements in two Canadian provinces, combined with continuing efforts by the Canadian federal government to become net-zero by 2050. GNR Quebec Capital L.P., (GNRQC) a limited partnership created by Xebec and the Fonds de solidarité FTQ identifies locations and partners for the deployment of high-quality renewable gas assets to produce low carbon RNG that can not only fill the current provincial requirements but also the future requirements under potential federal legislation.

3. BUSINESS STRATEGY

Xebec's goal is to profitably grow revenue and earnings, building a sustainable business that will drive shareholder value.

External Business Drivers

- Accelerating global warming and climate change is driving a transition from fossil energy sources towards renewable, zero-carbon energy.
- Continued build-out of clean natural gas refueling infrastructure in the U.S., Canada, and Europe combined with rapidly increasing demand for RNG as a transportation fuel.
- Implementation of low carbon fuel standards (LCFS) driving demand for RNG and hydrogen as a low carbon transportation fuel and establishment of RNG assets.
- Increasing demand for small-scale, on-site, decentralized hydrogen production and purification solutions for fuel cell applications in transport and industrial applications
- Hydrogen purification technologies poised to experience robust growth in the U.S., China, Japan, Canada, Germany, and India in refining and electronics industries (industrial applications)
- 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
- Acquisition opportunities in the Industrial Service and Support segment driven by the retirement of owners of target companies that fall into the "boomer" category
- Impact of COVID-19 has caused supply chain cost increases, higher installation costs for systems and equipment and overall higher than average cost overruns

Path to Sustainable Growth

Key Events in Q3 2021

The following are highlights from July 1, 2021 to November 10, 2021 (the date of this MD&A) for the quarter ended September 30, 2021:

- November 3, 2021, Xebec announced the acquisition of Colorado-based UECompression to increase North American containerized renewable gas system manufacturing capacity fivefold to 150 to 190 units per year

- October 21, 2021, Xebec announced it has received an EU research grant to design and manufacture a new type of electrolyser system to produce sustainable liquid fuels
- October 6, 2021, Xebec confirmed the signing of task orders from the previously announced master service agreement for an initial 18 BGX Biostream with the Brightmark and Chevron RNG partnership dated July 6, 2021
- September 30, 2021, Xebec announced a contract to supply two Hy.GEN® 150 units with a Turkey-based flat steel manufacturer
- September 1, 2021, Xebec acquired the assets of Wisconsin Compressed Air to further expand the Cleantech Service Network in the U.S. Midwest
- August 26, 2021, Xebec acquired California Compression, one of the largest compressed air distributors in Northern California, to further expand the Cleantech Service Network on the U.S. West Coast
- August 11, 2021, Brian Levitt was appointed as Director of the Corporation after previously serving as a Special Advisor to the Board of Directors

Strategy Moving Forward

Build & Market Renewable Gas Solutions

- Expand RNG opportunities in Europe, United States, and Canada (including renewable gas infrastructure investments)
- Introduce and market our small-scale BGX Biostream™ units in the markets we operate
- Focus on hydrogen purification for fuel cells (for example, refinery off-gas applications in China)
- Develop small to mid-size hydrogen generation capabilities through SMR and electrolysis technologies and decentralized production hubs
- Expand on-site oxygen and nitrogen products to other markets such as North America and Asia
- Continue to grow national & international partnerships

Drive Recurring Revenue

- Provide operations and maintenance for cleantech systems
- Increased sale of filtration, parts and service products
- Optimize supply chain network and other synergies within our industrial business
- Roll-up acquisition strategy for service companies in North America and Europe to create the leading "Cleantech Service Network"
- Secure additional long-term 15-year Gas-as-a-Service contracts

Q3 2021 YTD Results

- For the nine-month period ended September 30, 2021, Xebec reported revenues of $80.0 million, a $29.8 million or 59% increase compared to $50.2 million for the same period in 2020
- Backlog increased $11.7 million from $88.4 million as at November 9, 2020, to $100.1 million as at November 10, 2021
- Net loss for the nine-month period ended September 30, 2021 was $25.9 million, representing Earning Per Share ("EPS") of ($0.17), compared to a net loss of $3.7 million, representing an EPS of ($0.04), for the same period last year
- Working capital decreased from $81.3 million as at September 30, 2020, to $71.2 million as at September 30, 2021 (current ratio decreased from 4.38 to 1.88)
- Quick Ratio decreased from 3.76 as at September 30, 2020, to 1.17 as at September 30, 2021

4. OPERATING RESULTS

Selected Financial Information

(in millions of $)

	Q3		YTD	
	For the three-month period ended September 30,		**For the nine-month period ended September 30,**	
	2021	2020	**2021**	2020
Systems	**13.1**	10.2	**44.6**	**32.2**
Support	**13.6**	8.2	**35.5**	**18.0**
Total revenue	**26.7**	18.4	**80.0**	50.2
Total COGS	**16.6**	14.0	**60.8**	38.5
Gross margin	**10.1**	4.4	**19.3**	11.7
Gross Margin %	**38%**	24%	**24%**	23%
Research and Development expenses	**0.5**	0.1	**1.9**	0.1
Selling and administrative expenses	**10.9**	4.9	**31.7**	13.1
Other (Gains) and Losses	**6.3**	1.1	**7.0**	0.9
Operating profit (loss)	**(7.6)**	(1.7)	**(21.4)**	(2.4)
Finance expenses	**1.3**	0.5	**3.7**	1.4
Income taxes	**0.3**	(0.0)	**0.8**	(0.0)
Net profit (loss)	**(9.2)**	(2.2)	**(25.9)**	(3.7)
Net profit (loss) per share	**(0.06)**	(0.02)	**(0.17)**	(0.04)
ADJUSTED EBITDA (1)	**0.3**	0.4	**(9.0)**	1.4
Cash used in operating activities	**(10.6)**	(4.8)	**(33.9)**	(17.6)
Cash and restricted cash	**61.8**	52.9	**61.8**	52.9
Working capital	**71.2**	81.3	**71.2**	81.3
Total Assets	**435.9**	123.4	**435.9**	123.4
Total non-current liabilities	**40.3**	13.5	**40.3**	13.5

(1) Adjusted EBITDA is Non-IFRS measure. Refer to section 14 - Reconciliation of Non-IFRS Measure.

Highlights for the three-month period ended September 30, 2021, compared to the three-month period ended September 30, 2020:

- ***Revenues*** increased by $8.3 million to $26.7 million for the three-month period ended September 30, 2021, compared to $18.4 million for the same period the prior year. The 45% increase is mainly explained by acquisitions completed in 2020 and 2021, including: (1) $7.7 million for service companies and ACS, and (2) $9.0 million for HyGear and Inmatec. This was offset by the transition from long-term production-type RNG projects, where revenue is recognized on a percentage of completion basis, to standardized Biostream products, where revenue is recognized at product delivery. Biostream revenues related to new orders received in Q3 2021 are expected to be recognized in 2022. Manufacturing of these units commenced in Q4 2021.

- ***Gross margin*** increased from \$4.4 million to \$10.1 million for the three-month period ended September 30, 2021 compared to the same period the prior year. The gross margin percentage increase from 24% to 38% is due to a more profitable revenue mix in Q3 2021, including the impact of acquisitions made in 2020 and 2021.

- ***Selling and administrative expenses ("SG&A"***) for the three-month period ended September 30, 2021 of \$10.9 million increased by \$6.0 million compared to \$4.9 million for the same three months of 2020. The increase is primarily due to additional SG&A expenses associated with newly acquired companies: (1) \$2.2 million for the services companies and ACS, and (2) \$3.6 million for HyGear and Inmatec.

- ***Research and development expenses*** of \$0.5 million for the three-month period ended September 30, 2021 were related to the development of the company's second generation of the Biostream product and the continued development of biogas upgrading projects. As of January 1, 2021, R&D expenses are recorded as they are incurred.

- **Other gains and losses** of \$6.3 million for the three-month period ended September 30, 2021 compared to \$1.1 million for the same three months of 2020. The increase is mainly due to a one-time payment arising from the prior departure of employees, legal costs and integration and M&A costs.

- ***Operating loss*** of \$7.6 million for the three-month period ended September 30, 2021 compared to an operating loss of \$1.7 million for the same quarter in 2020. The increased loss is mainly explained by the above-noted increase in SG&A and other gains and losses, offset by the higher consolidated gross margin percentage.

- ***Net loss*** of \$9.2 million or (\$0.06) per share in the three-month period ended September 30, 2021 compared to a net loss of \$2.2 million or (\$0.02) per share for the same period the prior year.

- ***Adjusted EBITDA*** decreased to \$0.3 million for the three-month period ended September 30, 2021 compared to \$0.4 million for the same period the prior year.

Highlights for the nine-month period ended September 30, 2021, compared to the nine-month period ended September 30, 2020:

- ***Revenues*** increased by $29.8 million to $80.0 million for the nine-month period ended September 30, 2021, compared to $50.2 million for the same period the prior year. The 59% increase is mainly explained by acquisitions completed in 2020 and 2021, including (1) $22.8 million for services companies and ACS, and (2) $30.5 million for HyGear and Inmatec. This was offset by lower revenues from long-term production-type RNG projects. As the company transitions to standardized products such as Biostream, revenues will be recognized on delivery.

- ***Gross margin*** increased from $11.7 million to $19.3 million for the nine-month period ended September 30, 2021 compared to the same period the prior year. The gross margin percentage increased from 23% to 24% as the positive impact of acquisitions completed in 2020 and 2021 was offset by the negative impact from long-term production-type RNG contracts.

- ***Selling and administrative expenses ("SG&A")*** for the nine-month period ended September 30, 2021, of $31.7 million increased by $18.6 million compared to $13.1 million for the same nine months of 2020. The increase is primarily due to additional SG&A expenses associated with the newly acquired companies: (1) $5.9 million for services companies and ACS, and (2) $9.4 million for HyGear and Inmatec. In addition, SG&A expenses increased due to an organizational scale up of employees, hiring fees and associated costs to support the increased level of future sales.

- **Other gains and losses** of $7.0 million for the nine-month period ended September 30, 2021 compared to $0.9 million for the same nine months of 2020. The increase is mainly due to a one-time payment arising from the prior departure of employees, legal costs and integration and M&A costs.

- ***Research and development expenses*** of $1.9 million for the nine-month period ended September 30, 2021 were related to the development of the company's second generation of the Biostream product and the continued development of biogas upgrading and hydrogen projects. As of January 1, 2021, R&D expenses are recorded as they are incurred.

- ***Operating loss*** of $21.4 million for the nine-month period ended September 30, 2021 compared to an operating loss of $2.4 million for the same period in 2020. The increase in operating loss is mainly explained by the above-noted increase in SG&A and other gains and losses, offset by the slightly higher consolidated gross margin percentage.

- ***Net loss*** of $25.9 million or ($0.17) per share in the nine-month period ended September 30, 2021 compared to a net loss of $3.7 million or ($0.04) per share for the same period the prior year.

- ***Adjusted EBITDA*** decreased to ($9.0) million for the nine-month period ended September 30, 2021, from $1.4 million for the same period last year.

Current Backlog as of November 10, 2021

The order backlog is calculated considering contracts received and considered as firm orders.

Business Segment: In million of $	November 10, 2021	August 11, 2021	May 12, 2021	March 18, 2021	November 9, 2020
Support	23.2	19.7	27.1	26.4	9.5
System	76.9	56.2	61.4	73.7	78.9
Consolidated Backlog	100.1	75.9	88.5	100.1	88.4

Included in the consolidated backlog is a preliminary assessment of the UEC backlog.

As Xebec transitions more towards services provider from an equipment provider, the backlog will not adequately reflect the future and full revenue profile of the company.

Business Segment Review

We report our results in two business segments – Systems and Support. Infrastructure is no longer reported due to its activities being rolled into a non-controlling Joint-Venture with Fonds de solidarité FTQ. Our reporting structure reflects the way we manage our business and how we classify our operations for planning and measuring performance. The corporate office and administrative support are reported under Corporate and Other.

Systems - Cleantech

Selected Financial Information
(in millions of $)

	Q3		YTD Q3	
	For the three-month period ended September 30,		**For the nine-month period ended September 30,**	
	2021	2020	**2021**	2020
Revenues	**13.1**	10.2	**44.6**	32.2
COGS	**8.0**	8.4	**37.7**	26.6
Gross margin	**5.1**	**1.8**	**6.8**	**5.6**
Gross Margin %	39%	18%	15%	17%
Research and Development expenses	**0.5**	0.1	**1.9**	0.1
Selling and administrative expenses	**2.7**	0.5	**7.3**	1.4
Segment gain/(loss)	**2.0**	**1.2**	**(2.3)**	**4.1**

Revenues increased by $2.9 million or 28% to $13.1 million for the three-month period ended September 30, 2021 and by $12.4 million or 39% to $44.6 million for the nine-month period ended September 30, 2021, compared to the same periods of 2020. The increase was attributed to the acquisition of HyGear and Inmatec, offset by lower revenue generation related to long-term production-type RNG projects. Biostream revenues related to the new orders received in Q3 2021 are expected to be recognized in 2022 due to revenue recognition changing from percentage of completion to on delivery.

Gross Margin increased by $3.3 million to $5.1 million for the three-month period ended September 30, 2021 and increased by $1.2 million to $6.8 million for the nine-month period ended September 30, 2021 compared to the same periods in 2020. The gross margin percentage increased to 39% from 18% for the three-month period ended September 30, 2021 and decreased to 15% from 17% for the nine-month period ended September 30, 2021, compared to the same periods in 2020. The large increase in Q3 2021 gross margin percentage is attributable to the acquisition of Inmatec. The decrease in gross margin percentage for the nine-month period ended September 30, 2021 is mainly due to higher costs related to our renewable natural gas projects in the first half of the fiscal year.

SG&A Expenses for the three-month period ended September 30, 2021 increased by $2.3 million to $2.7 million in the Systems segment. For the nine-month period ended September 30, 2021, SG&A expenses increased by $6.2 million to $7.3 million. The increase is mainly due to the acquisitions of HyGear and Inmatec.

Research and development expenses of $0.5 million for the three-month period ended September 2021 and $1.9 million for the nine-month period ended September 2021 related to the development of the company’s second-generation Biostream product and the continued development of biogas upgrading and hydrogen projects. As of January 1, 2021, R&D expenses are recorded as they are incurred.

Support – Industrial Products and Service

Selected Financial Information
(in millions of $)

	Q3		YTD Q3	
	For the three-month period ended September 30,		**For the nine-month period ended September 30,**	
	2021	2020	**2021**	2020
Revenues	**13.6**	8.2	**35.5**	18.0
COGS	**8.6**	5.6	**23.0**	11.9
Gross margin	**5.0**	**2.5**	**12.4**	**6.1**
Gross Margin %	37%	31%	35%	34%
Selling and administrative expenses	**3.3**	1.3	**8.4**	3.2
Segment gain/(loss)	**1.7**	**1.2**	**4.1**	**2.9**

Revenues increased by $5.4 million to $13.6 million for the three-month period ended September 30, 2021 and by $17.5 million to $35.5 million for the nine-month period ended September 30, 2021. The increases are mainly explained by the impact of the newly acquired subsidiaries.

Gross Margin increased by $2.5 million for the three-month period ended September 30, 2021 and increased by $6.3 million for the nine-month period ended September 30, 2021. Gross margin percentage is higher at 37% compared to 31% the three-month period ended September 30, 2020 and higher at 35% compared to 34% the nine-month period ended September 30, 2020 due to product mix and the positive impact of newly acquired companies.

SG&A Expenses for the three-month period ended September 30, 2021 increased by $2.0 million to $3.3 million from $1.3 million in the same period last year, and for the nine-month ended September 30, 2021 increased by $5.2 million to $8.4 million from $3.2 million in the same period last year. The increase is primarily due to the addition of newly acquired subsidiaries.

Corporate and Other

Selected Financial Information
(in millions of $)

	Q3 For the three-month period ended September 30,		YTD Q3 For the nine-month period ended September 30,	
	2021	2020	**2021**	2020
Selling and administrative expenses	4.9	3.0	16.1	8.5
Other (Gains) and Losses	6.3	1.1	7.0	0.9
Total	**11.3**	4.2	**23.1**	9.4
Financial income	**(0.5)**	(0.3)	**(0.9)**	(0.3)
Financial expense	**1.8**	0.8	**4.7**	1.7
Finance loss	**1.3**	0.5	**3.7**	1.4
Income taxes	**0.3**	**(0.0)**	**0.8**	**(0.0)**
Corporate Expenses	**12.9**	**4.7**	**27.6**	**10.7**

SG&A Expenses for the three-month period ended September 30, 2021 increased by $1.9 million, to $4.9 million from $3.0 million, and for the nine-month period ended September 30, 2021 increased by $7.6 million, to $16.1 million from $8.5 million, compared to the same period last year. The increases are caused by organizational scale up of employees and associated costs to support the increased level of sales as well as global expansion of the business.

Other gains and losses of $6.3 million for the three-month period ended September 30, 2021 compared to $1.1 million for the same three months of 2020 and $7.0 million for the nine-month period ended September 30, 2021 compared to $0.9 million for the same nine months of 2020. The increase in both periods is mainly due to a one-time payment arising from the prior departure of employees and legal costs combined with integration and acquisition costs.

5. FINANCIAL CONDITION

Summary Balance Sheet

In millions of $	**September 30, 2021**	**December 31,** 2020
Current assets	**152.6**	226.1
Non-current assets	**283.3**	218.6
	435.9	444.7
Current liabilities	**81.4**	55.0
Non-current liabilities	**40.3**	45.7
Shareholders' equity	**314.2**	344.0
	435.9	444.7

The decrease in the Company's total assets between September 30, 2021, and December 31, 2020 of $8.8 million is mainly due to the use of cash resulting from operating losses and the repayment of loans.

Liabilities increased by $21.0 million between September 30, 2021, and December 31, 2020. The increase is mainly due to higher accounts payables, contract liabilities and credit facilities.

Working capital amounted to $71.2 million for a current ratio of 1.88:1 as at September 30, 2021 compared with working capital of $171.1 million and a current ratio of 4.12:1 as at December 31, 2020.

Shareholders' equity totaled $314.2 million as at September 30, 2021, a decrease of $29.8 million from December 31, 2020. The change is mainly explained by the current year loss and the other comprehensive loss resulting from currency fluctuations.

Total Indebtedness

In millions of $	**September 30, 2021**	December 31, 2020
Bank loans	**5.0**	1.0
Short-term debt	**22.9**	17.2
Long-term debt	**37.6**	42.8
	65.5	61.0

Total Indebtedness amounted to $65.5 million as at September 30, 2021 when compared to December 31, 2020. The increase is mainly explained by a higher credit facility balance.

Capital Stock Information

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares. As at September 30, 2021 Xebec Adsorption Inc. had 153,980,438 common shares issued and outstanding.

Share Purchase Warrants Outstanding

As at September 30, 2021, the Company had 3,000,000 warrants outstanding. 418,267 warrants and compensations warrants were exercised in the nine-month period ended September 30, 2021.

Stock Options Outstanding

On June 25, 2020, the Shareholders of Xebec approved the adoption by the Company of the long-term incentive plan (LTIP) replacing the prior Stock Option Plan. The LTIP permits the granting of options ("LTIP Options"), Restricted Stock Units ("RSUs") and Deferred Share Units ("DSUs") to eligible participants of the Company and is administered with oversight by the Human Resources Committee.

Although the shareholders of the Company and the Exchange have approved common shares reserved for issuance under the LTIP of up to 20% of the total issued and outstanding common shares, the Board of Directors of the Company has fixed the number of common shares reserved to a lower number. Therefore, consistent with the Board of Directors' decision, the total number of common shares reserved and available for grant and issuance pursuant to Awards (including the common shares issuable upon exercise of the outstanding options previously granted under the prior Stock Option Plan) shall not exceed 8,393,115 common shares.

As at the approval of the LTIP, all existing options granted under the prior Stock Option Plan remained outstanding and subject to the prior Stock Option Plan.

The LTIP provides that the aggregate number of common shares issued to insiders and associates of such insiders under the LTIP or any other proposed or established share compensation arrangement within any one-year period and issuable to insiders and associates of such insider at any time under the LTIP or any other proposed or established share compensation arrangement, shall not in each case exceed 10% of the issued and outstanding common shares.

The aggregate number of common shares issuable to any one consultant, within anyone-year period, under the LTIP, or when combined with all of the Company's other security-based compensation arrangements, shall not exceed 2% of the Company's total issued and outstanding securities, calculated on the date the Award is granted to the consultant.

The aggregate number of common shares issuable to all participants retained to provide investor relations activities, within any one-year period, under the LTIP, or when combined with all of the Company's other security-based compensation arrangements, shall not exceed 2% of the Company's total issued and outstanding securities, calculated on the date the Award is granted to the participant, and options granted to such participants retained to provide investor relations activities must vest in stages over a period of not less than one year with no more than ¼ of the options vesting in any three month period.

The purchase price per share purchasable under an option shall be determined by the Human Resources Committee and shall not be less than 100% of the Fair Market Value of a common share on the date of grant of such option; provided, however, that the HR Committee may designate a purchase price below Fair Market Value on the date of grant if the option is granted in substitution for a stock option previously granted by an entity that is acquired by or merged with the Company or an affiliate. The term of each option shall be fixed by the HR Committee at the date of grant but shall not be longer than 10 years from the date of grant.

6. SUMMARY OF QUARTERLY RESULTS

In million of $, except net earnings (loss) per share	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	26.7	32.7	20.6	6.4	18.4	19.6	12.2	13.6
Net income (loss)	(9.2)	(7.5)	(9.2)	(28.3)	(2.2)	(0.8)	(0.7)	(0.5)
Earnings (loss) per share								
Basic	(0.06)	(0.05)	(0.06)	(0.26)	(0.02)	(0.01)	(0.01)	(0.01)
Diluted	(0.06)	(0.05)	(0.06)	(0.26)	(0.02)	(0.01)	(0.01)	(0.01)

7. USE OF FUNDS

Public financing & Private Placement - December 30, 2020 In million of $	**Anticipated use of Proceeds**	**Actual use of proceeds as at September 30, 2021**
Acquisition of HyGear (Cash Portion) and Related Costs	$66.0	$68.9
Future Potential Acquisitions (including the Inmatec Acquisition and the LOI Acquisition) and Growth Opportunities	$37.0 - $60.0	$72.7
Potential repayment of HyGear Indebtedness	$29.5	$2.8
Working Capital and General Corporate Purposes	$38.0	$15.0
Total	**$170.5 - $193.5**	**$159.4**

Use of funds as at September 30, 2021

On December 30, 2020 Xebec closed a bought deal public offering of subscription receipts conducted by a syndicate of underwriters, co-led by Desjardins Capital Markets and TD Securities Inc., and including National Bank Financial Inc., Canaccord Genuity Corp., Raymond James Ltd., Beacon Securities Ltd. and Stifel Nicolaus Canada Inc. The Company also closed a concurrent private placement with Caisse de dépôt et placement du Québec.

A total of 35,689,974 common shares of Xebec were sold at a price of $5.80 per common share for aggregate gross proceeds of $207.0 million.

As at September 30, 2021, the Company had used $159.4 million of the net proceeds from the December 30, 2020 Offering. Of the net proceeds used, $68.9 million was used for acquisition of HyGear, legal, audit and other fees related to the public offering, $72.7 million was used for the acquisitions of Inmatec, Nortec, Tiger, California Compression and Wisconsin and $15.0 million was used for working capital to support general operations.

8. LIQUIDITY AND CAPITAL RESOURCES

Cash flow from (used in)	For the three-month period ended September 30,			for the nine-month period ended September 30,		
in million of $	**2021**	2020	Change	**2021**	2020	Change
Operating activities	**(10.6)**	(4.8)	(5.8)	**(33.9)**	(17.6)	(16.3)
Investing activities	**(12.9)**	(7.2)	(5.7)	**(74.7)**	(8.7)	(66.0)
Financing activities	**4.3**	4.7	(0.4)	**0.5**	55.4	(54.9)

Analysis of principal cash flows for the three-month period ended September 30, 2021

Operating activities in the three-month period ended September 30, 2021 used $10.6 million of cash compared to $4.8 million of cash used during the same period in 2020. The use of cash for the three-month period is mainly explained by the net loss, offset by the decrease in non-cash working capital. The nine-month period ended September 30, 2021 used $33.9 million of cash, compared to $17.6 million of cash used during the same period in 2020. The use of cash for the nine-month period is mainly explained by the operating loss and the increase in non-cash working capital.

Investing activities generated a cash outflow of $12.9 million for the three-month period ended September 30, 2021 and $74.7 million for the nine-month period ended September 30, 2021. These cash outflows relate mainly to the acquisitions of Inmatec, Nortec, Tiger, California Compression and the assets of Wisconsin Compressed Air.

Financing activities generated a cash inflow of $4.3 million for the three-month period ended September 30, 2021 and $0.5 million for the nine-month period ended September 30, 2021. These cash inflows are due to credit facility drawdowns and the issuance of shares, offset by repayment of various other loans and bonds.

Credit Facilities

The Company has credit facilities with National Bank of Canada's Technology and Innovation Banking Group for a total value of up to $59.25 million. These facilities include:

1) An Operating and Acquisition Credit Facility not to exceed $30 million.
2) A Letters of Guarantee Credit Facility not to exceed $16.5 million.
3) A Pre-Shipment Credit Facility not to exceed $10 million.
4) A Treasury Risk Facility not to exceed $2.5 million.
5) A Credit Card Facility not to exceed $0.25 million.

The credit facilities are secured by a first ranking hypothec on all present and future movable property of the Company and of some specified subsidiaries, a general Bank Security (Section 427 of Bank Act) and a guarantee's financial account put in place by National bank of Canada. As at September 30, 2021, the Company had $11.4 million in that account.

As of September 30, 2021, an amount of $3.2 million was outstanding under the Letters of Guarantee Credit Facility. In addition, the operating and acquisition credit facility and the Credit Card Facility were used at the end of the quarter.

In March, the company renewed its Account Performance Security Guarantee (PSG) Facility with Export Development Canada (EDC) for an amount not to exceed $10 million. This PSG Facility is granted in favour of National Bank of Canada by EDC with respect to the repayment of 100% of the Company Obligations under the Letters of Guarantee Credit Facility. The validity period of the PSG facility is from January 1, 2021 to December 31, 2021. As at September 30, 2021 an amount of $2.3 million was outstanding under this facility.

As of September 30, 2021, all applicable financial covenants and conditions were respected by the Company.

9. OUTSTANDING SHARE DATA

Outstanding common shares and stock options:

	Number of shares	Exercise Price	Expiring Date
Issued and outstanding Common Shares as of September 30, 2021	153,980,438		
Stock Options	200,000 200,000 350,000 37,000	$0,55 $0.05 $0.49 $0.55	May 21, 2022 January 7, 2023 August 29, 2024 December 19, 2024
Total stock options:	787,000	$0.41	
Warrants	3,000,000	$4.58	May 5, 2022
LTIP Options	50,000	$5.01	May 21, 2025
RSUs	400,801		
DSUs	85,670		
Fully diluted as at September 30, 2021	**158,303,909**		

10.SUBSEQUENT EVENTS

Acquisition of UECompression

On November 3, 2021, the Company announced the acquisition of Colorado-based UECompression (UEC) for a total consideration of USD $8 million subject to certain holdbacks and adjustments. Founded in 1983, UEC is a premier designer and builder of custom air and gas compressor solutions for power generation, industrial and energy applications. The acquisition of UEC provides the Company with a cost-effective and timely pathway towards expanding production capacity for standardized renewable gas systems.

The Company is currently assessing the fair value of the assets acquired and liabilities assumed and will disclose the preliminary purchase price allocation in its consolidated financial statements for the fourth quarter ending December 31, 2021.

Increase of credit facility with FSTQ

On November 9, 2021, the Company and FSTQ entered into an amended and restated Loan Agreement increasing the credit facility provided by FSTQ by $15.0 million and providing for the issuance of 4,500,000 warrants to FSTQ at an exercise price of $4.44 per warrant for a three-year term. This transaction provides access to additional liquidity to strengthen the Company's strategic initiatives.

11.CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that affect the Company's consolidated financial statements.

Inventories must be valued at the lower of cost and net realizable value

A write-down of inventory will occur when its estimated market value less applicable variable selling expenses is below its carrying amount. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. This estimation process involves significant management judgment and is based on the Company's assessment of market conditions for its products determined by historical usage, estimated future demand and, in some cases, the specific risk of loss on specifically identified inventory. Any change in the assumptions used in assessing this valuation will impact the carrying amount of the inventory and have a corresponding impact on cost of goods sold.

Impairment of internally generated intangible assets

The Company performs a test for internally generated intangible assets impairment when there is any indication that internally generated intangible assets have suffered any impairment in accordance with the accounting policy stated in the summary of significant accounting policies of these consolidated financial statements. The recoverable amounts of internally generated intangible assets have been determined based on value-in-use calculations. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including the strength of customer relationships, the degree of variability in cash flows as well as other factors are considered when making assumptions about future cash flows and the appropriate discount rate. A change in any of the significant assumptions or estimates used to evaluate internally generated intangible assets could result in a material change to the results of operations.

Percentage of completion and revenues from long-term production-type contracts

Revenues recognized on long-term production-type contracts reflect management's best assessment by taking into consideration all information available at the reporting date and the result on each ongoing contract and its estimated costs. Management assesses the profitability of the contract by applying important judgments regarding milestones marked, actual work performed and estimated costs to complete. Actual results could differ because of these unforeseen changes in the ongoing contracts' models.

Allowance for expected credit loss

The Company recognizes the impairment of financial assets in the number of expected credit losses by means of the simplified approach, measuring impairment losses as lifetime expected credit losses and the trade receivables that have been assessed on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

Acquisition valuation method

The Company uses valuation techniques when determining the fair value of certain assets and liabilities acquired in a business combination. In particular, the fair value of the intangible assets, goodwill and contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

Leases

Recognizing leases requires judgment and use of estimates and assumptions. Judgement is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised. Furthermore, management estimates are used to determine the lease terms and the appropriate interest rate to establish the lease liability.

Classification of finance and operating leases requires management to make assumptions related to the economic life and the fair value of the leased asset. In addition, at the commencement date of finance leases, the measurement of selling profit requires assumptions such as the determination of the unguaranteed residual value, the fair value of the leased asset and the rate implicit in the lease. Those assumptions are based on management's best estimate by considering all information available at the reporting date, including profit margins by reference to transactions involving assets of a similar nature, market funding rates, the economic life of assets of a similar nature and the expected value of the asset at the end of the lease.

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amounts of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

12.OUTLOOK AND MANAGEMENT GUIDANCE

Current Market Outlook

Xebec continues to see an improving political and regulatory backdrop for its products and services. This can be seen with the "Build Back Better Act" from the Biden administration which would allocate $555 billion for U.S. investments in clean energy and combatting climate change. The Act specifically includes tax credits for biogas, renewable natural gas, hydrogen and local manufacturing. In addition, the Global Methane Pledge was announced at the COP26 conference, which aims cut methane emissions by 30% by 2030 compared to 2020 outputs. These initiatives, among others, continue to favour Xebec's proven technologies and solutions for reducing emissions with renewable gases.

Furthermore, the company has felt the impact of supply chain disruptions and continues to manage its risk which includes higher than normal inventory purchases and dual sourcing. Xebec is also preparing for potential transportation challenges which may result in delayed revenues in future quarters. The company's strategy in having local manufacturing and building a strategic sourcing function is expected to help mitigate this risk.

Systems - Cleantech

Renewable Natural Gas

Xebec continues to execute on its long-term production-type RNG projects with the last handful of projects in final stages of execution and commissioning. The tapering down of impact from these legacy contracts as a result of less contribution to total revenues, was seen this quarter through a stronger gross margin. Overall, standardized products such as Biostream are expected to lead to a stronger organic revenue growth profile for the segment, more predictable cost management and improved gross margins.

The company has also begun production of its second-generation Biostream in Canada, with the aim of having a capacity run rate of 30 to 40 units per year. Revenues on the recent 18-unit Biostream order have not yet been recognized as they will now be recognized on delivery, instead of on a percentage of completion basis.

The recently announced additional capacity acquired with UECompression, will add another 120 to 150 containerized renewable gas systems for North American capacity totaling 150 to 190 units. This significant manufacturing capacity increase reflects the anticipated demand Xebec sees in the market for its products in the agricultural sector. In addition, the expansion is further supported by the success and positive feedback received from customers for the first generation Biostream, which now has several units producing RNG at U.S. dairy farms and is performing at or above expectations.

Hydrogen
The quarter saw several hydrogen contract wins, including a contract for a new industry application (annealing heat-treatment process) with a Turkish based flat steel manufacturer for two Hy.GEN® 150 units. Xebec also commissioned a key project in the Czech Republic where hydrogen will be delivered with a local partner to both a tungsten manufacturing and photonics plant.

In addition, the increasing demand for distributed hydrogen production in the U.S. has resulted in Xebec starting the process of establishing local manufacturing through UECompression. The company is seeing an increasing number of quotes to convert renewable natural gas to green hydrogen, for which it possesses world leading technology.

Lastly, Xebec's hydrogen PSA purification platform is seeing more activity as the mobility market develops. For example, an order was received from a leading marine robotics company to produce high purity hydrogen from ammonia cracking for a fuel cell onboard a ship. Xebec expects that as the mobility market develops, the need for high-purity hydrogen will accelerate growth opportunities for its PSA platform.

Oxygen and Nitrogen
Inmatec continues to see record production levels primarily due to the heightened demand caused by the COVID-19 pandemic for sustainably and reliably sourced medical-grade oxygen. To address this demand, last quarter a lease was signed to double the production floor space of the manufacturing facility in Herrsching, Germany and this expansion is well under way.

Organizations around the world continue to see the benefits of on-site production of gases. Inmatec showcased this value proposition recently with a large delivery to a hospital in St. Lucia. Historically, there was no oxygen available on the island and the gas had to be imported in liquid form in shipping containers. This supply would cost upwards of USD $250 per ton. By generating the gas on-site instead, the hospital now pays one tenth the cost, reduces their carbon footprint, is ensured a secure supply, and can serve more patients in intensive care units (ICU).

Lastly, Inmatec is seeing a pickup in on-site nitrogen generation activity as industrialized economies reopen around the world as COVID-19 imposed restrictions are lifted.

Support – Industrial Products & Services

Xebec saw several developments in its roll-up strategy to acquire compressed air service companies to build out the company's Cleantech Service Network. Two acquisitions were made in the quarter, including California-based California Compression and the assets of Wisconsin-based Wisconsin Compressed Air.

While the service centers felt the impact of supply chain disruptions, bookings overall were strong for the quarter and several divisions are now seeing meaningful contributions from cleantech equipment. Xebec expects that the pace of acquisitions may slow down as the company works to integrate, optimize and focus its efforts within the segment.

Renewable Gas Infrastructure

Xebec is addressing the renewable gas infrastructure opportunity through GNR Quebec Capital L.P. (“GNRQC”), a fund created in partnership with The Fonds de solidarité FTQ (“Fonds”), the largest capital development fund in Québec. Xebec is an equal equity investor alongside the Fonds and will participate in the sale of renewable natural gas equipment alongside long-term parts & service agreements for the equipment.

The fund has evaluated 28 projects to date and is actively engaged with 24 of both greenfield and brownfield varieties in agriculture, municipal, landfill, mixed use, and industrial waste applications. The fund has now successfully executed several letters of intent (LOI) for projects in Québec.

Management Guidance for 2021

For fiscal full-year 2021, Xebec is updating its previously announced guidance with revenues now expected to be at the top end of the range of $120.0 to $130.0 million from $110.0 to $130.0 million and adjusted EBITDA margins in the range of -3.0% to -5.0% from -3.0% to -4.0%. This guidance reflects contribution from the recently announced acquisition of UECompression and increased supply chain risks.

13.RELATED PARTY TRANSACTIONS

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
In thousands of $	**2021**	2020	**2021**	2020
Marketing and professional services expenses paid to companies controlled by members of the immediate family of an officer	**7**	9	**19**	70
Rent paid to companies controlled by members of the immediate family of an officer	**18**	6	**55**	6
Salaries and short term benefits paid to members of immediate family of an officer	**32**	39	**162**	131
Material purchased to companies controller by members of the immediate family of an officer	**17**	9	**45**	23
Total	**74**	63	**281**	230

14.RECONCILIATION OF NON-IFRS MEASURES

In millions of $	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2021	2020	2021	2020
Net income (loss)	(9.2)	(2.2)	(25.9)	(3.7)
Depreciation of property	0.7	0.3	3.0	0.8
Amortization of intangible assets	0.5	0.3	1.2	1.3
Impairment of tangible assets	0.3	-	0.3	-
Income taxes	0.3	(0.0)	0.8	(0.0)
Financing Expenses	1.3	0.5	3.7	1.3
EBITDA	(6.0)	(1.1)	(16.8)	(0.2)
Stock-based compensation expenses	(0.3)	0.2	(0.2)	0.3
Impairment of inventories	(0.0)	(0.0)	(0.0)	(0.0)
Exchange gain/loss on the obligation arising from non controlling interest participation in a subsidiary	-	0.1	(0.0)	0.2
Foreign exchange loss (gain)	(0.6)	0.2	(0.1)	(0.6)
Accretion of debt	0.3	0.2	0.9	0.5
Gain on deconsolidation of a subsidiary	-	-	(2.2)	-
Integration and acquisition costs	1.3	0.9	3.7	1.3
Loss (Gain) on disposal of assets	-	-	0.0	(0.0)
Impairment charge of tangible assets	0.3	-	0.3	-
Settlement related to termination and legal costs	5.3	-	5.3	-
Adjusted EBITDA	0.3	0.4	(9.0)	1.4
Adjusted EBITDA in percentage of sales	1%	2%	-11%	3%

* EBITDA is a non-IFRS financial measure.

EBITDA is not a performance measure defined under IFRS and is not considered an alternative to income from operations or net (loss) earnings. EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies.

The adjusted EBITDA for the three-month period ended September 30, 2021 was $0.3 million. For the nine-month period ended September 30, 2021 the adjusted EBITDA was ($9.0) million compared to $1.4 million in the same period of 2020. The decrease for the nine months is mainly due to lower margins for the RNG projects and higher SG&A expenses. We are pleased to have returned to positive adjusted EBITDA in Q3 2021 due to positive contributions from acquisitions completed in 2020 and 2021, revenue mix, and improved contribution from our RNG business relative to the first half of the fiscal year

15.ENTERPRISE RISK MANAGEMENT

Our Definition of Business Risk

We define business risk as the degree of exposure associated with the achievement of key strategic, financial, organizational and process objectives in relation to the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with laws and regulations and the safeguarding of assets within an ethical organizational culture.

Our enterprise risks are largely derived from the Company's business environment and are fundamentally linked to our strategies and business objectives. We strive to proactively mitigate our risk exposures through rigorous performance planning and effective and efficient business operational management.

The Company maintains director and officer liability insurance for errors, misstatements, misleading statements, acts, omissions, neglects, or breaches of duty committed, attempted, or allegedly committed or attempted by its directors and officers (the "Executive Protection Policy"). Claims under the Executive Protection Policy are limited at $10 million per loss for a maximum aggregate liability of $10 million per policy period. The Executive Protection Policy's policy period began December 1, 2020 and will end on December 1, 2021.

The following sections summarize the principal risks and uncertainties that could affect our future business results going forward and our associated risk mitigation activities.

16.RISK FACTORS

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below and in our Annual Information Form. The risks and uncertainties described below and in our Annual Information Form are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. For a more complete discussion of the risks and uncertainties which apply to our business and our operating results (which are summarized below), please see our Annual Information Form and other filings with Canadian Regulatory Authorities (www.sedar.com).

- Our business entails risks and uncertainties that affect our outlook and eventual results of our business and commercialization plans. The primary risks relate to meeting our product commercialization milestones, which require that our products exhibit the functionality, cost, and performance required to be commercially viable against competing technologies and that we have enough access to capital to fund these activities. There is also a risk that key markets for certain of our products may not be as large as we anticipate or never develop, or that market acceptance might take longer to develop than anticipated; in particular, for applications such as advanced CO_2 removal from natural gas, which requires industry acceptance and uptake, or our RNG product offering which depends on government programs and regulatory support.

A summary of our identified risks and uncertainties are listed below:

Macroeconomic and Geopolitical Risks

Global economic factors beyond our control such as sustained and far reaching negative economic factors, more restrictive access to credit markets, the current state of the energy markets and low fuel price differential, including the effects of the decisions by governments to reduce the price of its oil and to increase its production, pandemics or other outbreaks of illness, disease or virus, such as the strain of coronavirus known as COVID-19, or other broad economic issues may negatively affect the capital markets or market for our products, and reduce demand for our products as partners and potential customers defer their projects. The uncertain and unpredictable condition of the global economy could have a negative impact on our business, results of operations and consolidated financial condition, or our ability to accurately forecast our results, and it may cause a number of the risks that we currently face to increase in likelihood, magnitude, and duration, such as:

- Significant markets for RNG and other hydrogen purification products may never develop or may develop more slowly than we anticipate. This would significantly harm our revenues and may cause us to be unable to recover the losses we have incurred.
- Changes in government policies and regulations could hurt the market for our products.
- Lack of new government policies and regulations for renewable energy technologies could hurt the development of our RNG and hydrogen generation and purification products.
- We currently face and will continue to face significant competition from other developers and manufacturers of RNG products and hydrogen purification systems. If we are unable to compete successfully, we could experience a loss of market share, reduced gross margins for our existing products and a failure to achieve acceptance of our proposed products.
- We face competition for CO_2 removal from natural gas systems from developers and manufacturers of traditional technologies and other alternative technologies.
- Rapid technological advances or the adoption of new codes and standards could impair our ability to deliver our products in a timely manner and, as a result, our revenues would suffer.
- Our articles of incorporation authorize us to issue an unlimited number of common and preferred shares. Significant issuances of common or preferred shares could dilute the share ownership of our shareholders, deter or delay a takeover of us that our shareholders may consider beneficial or depress the trading price of our common shares.
- Our share price is volatile, and we may continue to experience significant share price and volume fluctuations.
- Natural gas and oil prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of this commodity due to the current state of the world economies, energy infrastructure and other factors, including geopolitical factors and the effects of COVID-19.

Operating Risks

- We may not be able to implement our business strategy and the price of our common shares may decline.

- Our quarterly operating results are likely to fluctuate significantly and may fail to meet the expectations of securities analysts and investors causing the price of our common shares to decline.
- We are dependent on third party suppliers for key materials and components for our products. If these suppliers become unable or unwilling to provide us with enough materials and components on a timely and cost-effective basis, we may be unable to manufacture our products cost-effectively or at all, and our revenues and gross margins would suffer.
- We currently depend on a relatively limited number of customers for most of our revenues and a decrease in revenue from these customers could materially adversely affect our business, consolidated financial condition, and results of operations.
- Our insurance may not be enough. Coverage review is performed on an annual basis.
- Hydrogen fuel cell systems and applications may not be readily available on a cost-effective basis, in which case our hydrogen generation and purification products may not find a sufficient end market and our revenues and results of operations would be materially adversely affected.
- We could be liable for environmental damages resulting from our research, development or manufacturing operations.
- Our strategy for the sale of RNG products depends on developing partnerships with OEMs, governments, systems integrators, suppliers and other market channel partners who will incorporate our products into theirs.
- We may not be able to manage successfully the anticipated expansion of our operations.
- If we do not properly manage foreign sales and operations, our business could suffer.
- We will need to recruit, train and retain key management and other qualified personnel to successfully expand our business.
- We may acquire technologies or companies in the future, and these acquisitions could disrupt our business and dilute our shareholders' interests.
- We must continue to lower the cost of our RNG and hydrogen generation and purification products and demonstrate their reliability or consumers will be unlikely to purchase our products and we will therefore not generate enough revenues to achieve and sustain profitability.
- Any failures or delays in field tests of our products could negatively affect our customer relationships and increase our manufacturing costs.
- The components of our products may contain defects or errors that could negatively affect our customer relationships and increase our development, service and warranty costs.
- We depend on intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success.
- Our products use flammable fuels that are inherently dangerous substances and could subject us to product liabilities.

- We may not be able to raise sufficient capital to fund initiatives such as our acquisition roll-up strategy for the Cleantech Service Network.

Foreign Currency Exchange Risk

The majority of Xebec's revenues are in Canadian and U.S. dollars, Chinese Yuan and Euros, while a significant portion of the operating expenses are in Canadian dollars and U.S. dollars, Chinese Yuan and Euros. Foreign exchange gains and losses are included in results from operations. A large decline in the U.S. dollar, Chinese Yuan or Euros relative to the Canadian dollar could impair revenues, margins, and other financial results. Xebec has not entered into foreign exchange contracts to hedge against gains and losses from foreign currency fluctuations.

Coronavirus Impact on Global Operations and Deliveries

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

We continue to closely monitor the effects on COVID-19 and are actively managing our response by placing a priority on the health and safety of our employees, contractors, their families, customers and the broader community in which our businesses operate.

In 2021, Xebec's business and subsidiaries have remained fully operational. The Company is adhering to pandemic response plans and is following guidance from local government public health agencies with respect to conducting operations safely. To the extent possible, and as permitted by local guidelines, the Company is facilitating vaccination of its employees against COVID-19.

In addition to standard operating procedures designed to maintain safe operations, Xebec has implemented additional measures including: (i) work from home policy for all employees that are able to do so; (ii) enhancing cleaning and disinfecting of facilities; (iii) limiting interactions between employees and customers through social distancing; (iv) mandating the use of personal protective equipment by employees; (v) modifying shift schedules to reduce exposure between shifts; and (vi) educating customers on care options. Xebec is engaged in ongoing communications with employees, customers, vendors, lenders, and other stakeholders apprising them of the company's response to the pandemic. We believe that our staff and customers can access our facilities safely and in compliance with relevant directives.

COVID-19 continues to negatively affect the performance of our businesses, although the effects have diminished relative to this time last year. While some of the federal, state and local governments' pandemic response measures including social distancing, quarantines, travel restrictions, prohibitions on public gatherings, and stay-at-home orders have been rolled back, we continue to remain focused on conducting our operations as safely and efficiently as possible.

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 fund their purchases of our products. Any temporary suspension of production in Xebec facilities as a direct result of COVID-19 or any required suspensions of any of Xebec's suppliers, partners or customers may have a material adverse effect on Xebec.

For example, Xebec's manufacturing operations in Shanghai, China ("Xebec Shanghai") and Lombardy, Italy, were previously affected by COVID-19 and were shut down for a period of time in 2020, which resulted in an impact in revenues and earnings.

Lastly, Xebec's Canadian operations remain COVID-19 free, but there have seen increasing costs and delay implications. Our schedule for North American deliveries has experienced higher than normal delays and are in an abnormal operational environment.

Risks Associated to Legal Proceedings

In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve suppliers, customers, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain.

A legal proceeding in the Ontario Superior Court of Justice was issued on March 19, 2021 initiating a proposed class action against the Company, its current directors and certain of the Company's current and former officers, its auditor and the underwriters of Xebec's December 2020 bought deal public offering of subscription receipts as defendants. The claim alleges that Xebec would have made misrepresentations in certain disclosure documents that were revealed in a press release dated March 12, 2021 entitled "Xebec Provides Updated 2020 Guidance" where the Company provided a revision downwards of 2020 guidance.

Xebec has also become aware that a legal proceeding in the Québec Superior Court (Class Actions Division) was issued on March 15, 2021 initiating a proposed class action against the Company, certain of its current directors, certain of the Company's current and former officers and the underwriters of Xebec's December 2020 bought deal public offering of subscription receipts as defendants. The claim alleges that Xebec would have made misrepresentations in its disclosure documents for Q3 2020 as well as its December 2020 prospectus with respect to revenue accounting practices and Xebec's internal controls over financial reporting.

As at the date hereof, the amounts claimed for damages in each of these actions have not been quantified. These actions are in a preliminary stage and have not yet been certified as class actions.

While the Company cannot predict the outcome of the actions discussed above, it intends to assert all available defences and vigorously defend these proceedings. Defending litigation, whether or not meritorious, is time-consuming for our management and detracts from our ability to fully focus our internal resources on our business activities. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. Further, the Company's underwriting agreement with the underwriters in connection with its December 2020 bought deal public offering of subscription receipts contains contractual indemnification provisions that may require the Company to indemnify the underwriters with respect to the claims against them and their legal costs of defending the actions. A decision adverse to our interests could result in the payment of substantial damages and could have a material adverse effect on our cash flow, results of operations and financial position, and the limits of available insurance may be insufficient to cover our eventual liability.

17.CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We are committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. Management is responsible for establishing and maintaining our disclosure controls and procedures to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. We continue to evolve and enhance our system of controls and procedures.

Management, at the direction and under the supervision of the Chief Executive Officer and the Chief Financial Officer of the Company, has evaluated the design of our disclosure controls and procedures. The evaluation was conducted in accordance with the requirements of National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") of the Canadian Securities Administrators. This evaluation confirmed, subject to the inherent limitations noted above, the appropriateness of the design of disclosure controls and procedures as at September 30, 2021. Management can therefore provide reasonable assurance that material information relating to the Company and its subsidiaries is reported to it on a timely basis so that it may provide investors with complete and reliable information.

Internal Controls over Financial Reporting

Management has designed and is responsible for maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management has limited the scope of design of its disclosure controls and procedures and its ICFR to exclude the controls, policies and procedures of The Titus Company, Nortekbelair Corporation, Green Vision Holding B.V, Inmatec Gase Technologie GmbH & Co. KG; Tiger Filtration Limited and California Compression, LLC (together the Acquisition Entities") which were acquired by the Corporation or one of its subsidiaries. Applied Compression Systems Inc. was acquired in August 2020, Enerphase Industrial Solutions Inc. in July 2020, The Titus Company in October 2020, Green Vision Holding B.V in December 2020, Inmatec Gase Technologie GmbH & Co. KG in February 2021, Nortekbelair Corporation in April 2021, Tiger Filtration Limited in June 2021, and finally California Compression, LLC in August 2021.

On a combined basis, the Excluded entities' contributions to our consolidated statements of loss and comprehensive loss for the nine months ended September 30, 2021 was approximately 54% of total revenues. Additionally, as at September 30, 2021, these entities' current assets and current liabilities, on a combined basis, represented approximately 26% and 20% of our consolidated current assets and current liabilities, respectively. Combined non-current assets, which includes intangible assets and goodwill from these acquisitions, represented approximately 17% of our consolidated non-current assets. The amounts recognized for the assets acquired and liabilities assumed as at the date of these acquisition are described in Note 3 of the Consolidated Financial Statements and the Condensed Interim Consolidated Financial Statements. Management is committed to removing this limitation within the timeframe permitted by regulation.

Management has evaluated the design of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer of the Company with the assistance of other Company management and staff to the extent deemed necessary. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the ICFR were appropriately designed as at September 30, 2021.

In spite of its evaluation, management does recognize that any controls and procedures, no matter how well designed, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

No significant changes were made to our ongoing ICFR during Q3-2021 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

18.FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis ("MD&A") contains forward-looking statements within the meaning of applicable Canadian securities law. These statements relate to future events or future performance and reflect the expectation of Management regarding the growth, results of operations, performance and business prospects and opportunities of the Corporation or its industry. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "continues", "could", "indicates", "plans", "will", "intends", "may", "projects", "schedules", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: (i) actions expected to be undertaken to achieve the Company's strategic goals; (ii) the key market drivers impacting the Company's success; (iii) intentions with respect to future renewable gas work; (iv) expectations regarding business activities and orders that may be received in fiscal 2021 and beyond; (v) trends in, and the development of, the Company's target markets; (vi) the Company's market opportunities; (vii) the benefits of the Company's products, (viii) the intention to enter into agreements with partners; (ix) future outsourcing and supply chain initiatives; (x) expectations regarding competitors; (xi) the expected impact of the described risks and uncertainties; (xii) intentions with respect to the payment of dividends; (xiii) the management of the Company's liquidity risks in light of the prevailing economic conditions; (xiv) the Company's cost reduction plan;

(xv) the search for additional financing over the next months; (xvi) statements regarding the merits of the class action complaints filed against the Company; and (xvii) 2021 revenue and EBITDA guidance (xviii) the expectation that the Blainville facility will allow production of 30 to 40 Biostream systems per year and that UE Compression facility will allow production of 130 to 150 systems and (xix) that the expected delivery of second generation Biostream systems in 2022.

These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause the Company's actual results, level of activity or performance to be materially different from any future results, levels of activity or performance expressed in or implied by these forward-looking statements. These risks include, generally, risks related to revenue growth, operating results, industry and products, technology, competition, the economy, the supply chain shortage, impact of COVID 19, the sufficiency of insurance and other factors which are discussed in greater details in this MD&A and in the Annual Information Form of the Corporation filed on SEDAR at www.sedar.com.

Forward-looking statements contained herein are based on a number of assumptions believed by the Corporation to be reasonable as at the date of this MD&A, including, without limitations, assumptions about trends in certain market segments, the economic climate generally, the pace and outcome of technological development, the identity and expected actions of competitors and customers, assumptions relating to the merits of the class action complaints filed against the Company and their impact, the value of the Canadian dollar and of foreign currency fluctuations, interest rates, working capital requirements, the anticipated margins under new contracts awards, the state of the Corporation's current backlog, the regulatory environment, the sufficiency of internal and disclosure controls, the ability of the Corporation to successfully integrated acquired business, and the acquisition and integration of businesses in the future. Other assumptions, if any, are set out throughout this MD&A. If these assumptions prove to be inaccurate, the Corporation's actual results may differ materially from those expressed or implied in the forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein. Readers should not place undue reliance on forward looking statements.

19.CORPORATE GOVERNANCE

The Board of Directors of Xebec Adsorption Inc. is comprised of nine directors, eight of whom are independent.

Approval

The Board of Directors of Xebec Adsorption Inc. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to Xebec Adsorption Inc. is on SEDAR at www.sedar.com or by contacting:

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