



**Notice of Annual General Shareholder Meeting  
and Second Amended Management Proxy Circular**

**Time: Thursday, May 14, 2009  
at 10:00 a.m.**

**Place: Best Western Ville-Marie Hotel & Suites  
3407 Peel – Montreal  
Québec, Canada H3A 1W7**

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## ProSep Inc.

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### NOTICE OF ANNUAL GENERAL SHAREHOLDER MEETING

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TO: The Shareholders of ProSep Inc.

Notice is hereby given that the annual general meeting of shareholders (the "**Shareholders**") of ProSep Inc. ("**ProSep**") will be held at Best Western Ville-Marie Hotel & Suites, 3407 Peel, Montreal, Québec on Thursday, May 14, 2009 at 10:00 a.m. (Eastern Standard Time) (the "**Meeting**") for the following purposes:

1. to place before the Meeting the financial statements of ProSep for the year ended December 31, 2008, together with the report of the auditors thereon;
2. to elect directors of ProSep for the ensuing year;
3. to appoint the auditors of ProSep for the ensuing year, and to authorize the directors to fix their remuneration for the ensuing year; and
4. to transact such business as may properly come before the Meeting or any adjournment thereof.

Included with this Notice of Annual Meeting is the Management Proxy Circular, a form of proxy and a form of voting instructions. We urge you to carefully consider all of the information in the Management Proxy Circular. If you require assistance, please consult your financial, legal or other professional advisors.

The board of directors of ProSep (the "**Board of Directors**") has fixed the close of business on April 1, 2009 as the record date (the "**Record Date**") for the determination of the Shareholders entitled to receive notice of, and to attend and vote at, the Meeting. In the event that a Shareholder transfers the ownership of any of his or her common shares of ProSep (the "**Shares**") after the Record Date, the transferee of such Shares shall be entitled to vote at the Meeting only if he or she has been appointed as proxy holder by the transferor, which may require a revocation of the previous proxy by the transferor if such proxy has already been returned before such transfer of ownership. See the section entitled "Revocability of Proxy" contained in the Management Proxy Circular.

Shareholders who are unable to attend the Meeting are requested to complete and return the enclosed form of proxy in accordance with the instructions set out in the form of proxy and in the Management Proxy Circular accompanying this Notice of Annual Meeting. A proxy will not be valid unless it is deposited with ProSep, c/o Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, at any time up to or including 5:00 p.m. (Eastern Standard Time) two business days preceding the date of the Meeting or any adjournment thereof. Completing and returning the enclosed form of proxy will not limit your right to vote in person if you wish to attend the Meeting and vote personally.

**It is important that you be represented at the Meeting. The Meeting will constitute an opportunity to ask questions and meet Management, the members of the Board of Directors and your fellow Shareholders. At the Meeting, ProSep will report on (i) its results for the financial year ended December 31, 2008 and (ii) the operations and strategic orientation of ProSep.**

DATED at Montreal, Québec, this 11<sup>th</sup> day of March, 2009.

BY ORDER OF THE BOARD OF DIRECTORS

*(s) Jacques L. Drouin*

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Jacques L. Drouin  
President and Chief Executive Officer

**If you are a non-registered Shareholder and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your Shares not being eligible to be voted by proxy at the Meeting.**

## ProSep Inc.

### SECOND AMENDED MANAGEMENT PROXY CIRCULAR

INFORMATION PROVIDED AS AT FEBRUARY 28, 2009 FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 14, 2009 (THE "**MEETING**")

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This second amended management proxy circular (the "**Management Proxy Circular**") is furnished in connection with the solicitation of proxies by the management of ProSep Inc. ("**ProSep**") for use at the Meeting, at the time and place and for the purposes set forth in the notice of meeting dated March 6, 2009 (the "**Notice of Meeting**").

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of ProSep (the "**Officers**") at nominal cost. The cost of this solicitation will be borne by ProSep. The Notice of Meeting, the Management Proxy Circular, a form of proxy (the "**Proxy**") and the Form of Voting Instructions (as defined below) (collectively, the "**Meeting Materials**") will be mailed to beneficial owners (the "**Shareholders**") of common shares of ProSep (the "**Shares**") commencing on or about April 9, 2009. In this Management Proxy Circular, except where otherwise indicated, all dollar amounts are expressed in Canadian dollars.

#### RECORD DATE AND NOTICE

The board of directors of ProSep (the "**Board of Directors**") has set the close of business on April 1, 2009 as the record date (the "**Record Date**") for determining which Shareholders shall be entitled to receive notice of and to vote at the Meeting. Notice of the Record Date for the Meeting will be published in *La Presse* and in *The Globe and Mail* on or about March 25, 2009. Only Shareholders of record as of the Record Date are entitled to receive notice of and to vote at the Meeting, unless after the Record Date, a Shareholder of record transfers its Shares and the transferee (the "**Transferee**"), upon establishing that the Transferee owns such Shares, requests in writing, at least 10 days prior to the Meeting or any adjournments thereof, that the Transferee may have his or her name included on the list of Shareholders entitled to vote at the Meeting, in which case the Transferee is entitled to vote such Shares at the Meeting. Such written request by the Transferee shall be filed with ProSep at 1155 Wellington Street, Montreal, Québec, H3C 1V9.

#### APPOINTMENT OF PROXYHOLDERS

The persons named in the accompanying Proxy as proxyholders are representatives of the management of ProSep (the "**Management**"). A Shareholder desiring to appoint some other person (who need not be a Shareholder) to represent him or her at the Meeting may do so, either by striking out the printed names and inserting the desired person's name in the blank space provided in the Proxy or by completing another proper Proxy and, in either case, delivering the completed Proxy to the office of Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, at any time up to and including 5:00 p.m. (Eastern Standard Time) two business days preceding the date of the Meeting, or any adjournment thereof.

## VOTING OF PROXIES

If the Proxy is completed, signed and delivered to ProSep, the persons named as proxyholders therein shall vote or withhold from voting the Shares in respect of which they are appointed as proxyholders at the Meeting, in accordance with the instructions of the Shareholder appointing them, on any show of hands and or any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the persons appointed as proxyholders shall vote accordingly. The Proxy confers discretionary authority upon the persons named therein with respect to all other matters which may properly come before the Meeting or any adjournments thereof. As of the date of the Management Proxy Circular, the Board of Directors knows of no such amendments, variations or other matters to come before the Meeting, other than matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the Proxy.

**If no choice is specified by a Shareholder with respect to any matter identified in the Proxy or any amendment or variation to such matter, it is intended that the person designated by the Management in the Proxy will vote the Shares represented thereby in favour of such matter and for a substitute nominee of Management for director, if necessary.**

## QUORUM

The by-laws of ProSep provide that a quorum of Shareholders is present at a meeting of Shareholders if at least one individual present at the commencement of the Meeting holds or represents by proxy the holder or holders of Shares carrying in the aggregate not less than five percent of the votes eligible to be cast at the Meeting.

## NON-REGISTERED HOLDERS

**Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Shareholders are "Non-Registered Shareholders" when the Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Shares.** More particularly, a person is not a registered Shareholder in respect of Shares which are held on behalf of that person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, ProSep has distributed copies of the Meeting Materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit a Proxy should otherwise properly complete the Proxy and deliver it to the offices of ProSep; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (a "**Form of Voting Instructions**") which the Intermediary must follow. Typically, the Form of Voting Instructions will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the Form of Voting Instructions will consist of a regular printed Proxy accompanied by a page of instructions, which contains a removable label containing a bar code and other information. In order for the Proxy to validly constitute a Form of Voting Instructions, the Non-Registered Holder must remove the label from the instructions and affix it to the Proxy, properly complete and sign the Proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the Management proxyholders and insert the Non-Registered Holder's name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or Form of Voting Instructions is to be delivered.**

### REVOCABILITY OF PROXY

Any registered Shareholder who has returned a Proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing, including a Proxy bearing a later date, executed by the registered Shareholder or by his attorney authorized in writing or, if the registered Shareholder is a Company, by an officer or attorney thereof duly authorized. The instrument revoking the Proxy must be deposited at the registered office of ProSep, at any time up to and including 5:00 p.m. (Eastern Standard Time) on the last business day preceding the date of the Meeting, or any adjournments thereof, or with the Chair of the Meeting on the day of the Meeting. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation. **Only registered Shareholders have the right to revoke a Proxy. Non-Registered Holders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective Intermediaries to revoke the Proxy on their behalf.**

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES THEREOF

The authorized capital of ProSep consists of an unlimited number of Shares without nominal or par value, having the preferences, rights, conditions, restrictions, limitations and prohibitions as set forth in ProSep's Articles of Continuance. As of February 28, 2009, there were a total of 64,443,451 Shares outstanding. Each Share entitles the holder thereof to one vote.

To the knowledge of the directors of ProSep (the "**Directors**") and executive officers of ProSep (the "**Officers**"), as of February 28, 2009, no person or company beneficially owns or controls or directs, directly or indirectly, Shares carrying 10% or more of the voting rights attached to the issued and outstanding Shares other than (i) HitecVision Private Equity III AS, which holds 7,520,001 Shares (representing approximately 11.67% of the issued and outstanding Shares) and (ii) Statoil Innovation AS, which holds 7,223,970 Shares (representing approximately 11.21% of the issued and outstanding Shares).

## GENERAL

All matters to be brought before the Meeting require a simple majority of the votes cast at the Meeting by the holders of Shares for the passing of the same.

## ELECTION OF DIRECTORS

The Articles of Continuance of ProSep provide for the Board of Directors to consist of a minimum of three (3) and a maximum of twelve (12) Directors. The number of Directors presently in office is seven (7). The Board of Directors has set the number of Directors to be elected at the Meeting to seven (7). The Board of Directors may increase over the course of the year.

The term of office of each of the present Directors expires at the Meeting. The persons named below will be presented for election at the Meeting as Management's nominees. Management does not contemplate that any of these nominees will be unable to serve as a Director. Each Director elected will hold office until the next annual general meeting or until his successor is elected or appointed, unless his office is earlier vacated, in accordance with the By-laws of ProSep or with the provisions of the *Canada Business Corporations Act* (the "**CBCA**").

The following summary sets forth for each person proposed to be nominated for election as a Director his name, all other major positions and offices with ProSep presently held by him, his present principal occupation, business or employment, any other issuer in respect of which he is presently acting as a director, his period of service as a Director, and the approximate number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by him as of the date hereof.

Unless otherwise directed, it is Management's intention to vote the proxies in favour of the resolutions set forth herein.

Name, city, province and country of residence, and present position with ProSep	Principal occupation and brief biography	Director since	Number of shares beneficially owned or controlled or directed, directly or indirectly, as of the date hereof
<p>G�rard Caron<sup>(1)</sup> Montreal, Qu�bec Canada</p> <p>Director</p>	<p>Mr. G�rard Caron graduated from HEC Montreal in 1963 and has been a member of the Order of Chartered Accountants of Qu�bec since 1965. Mr. Caron was the President, Chief Executive Officer and Secretary General of the Order of Chartered Accountants of Qu�bec from 1997 to 2003, and has been Director General and Secretary General of the Order since 1995. A Fellow Chartered Accountant and Fellow Certified Management Consultant, Mr. Caron has spent most of his career in information technology consulting in CA firms and in IT businesses and departments. He was a consultant in accounting organization with Hydro-Qu�bec and a consultant in organization and methods with the Soci�t� g�n�rale de financement. During his nearly ten years at the Soci�t� g�n�rale d'informatique (SGI) Inc., he successively held the positions of Senior Consultant, Partner and Vice-President. He subsequently returned to private practice to work with Maheu Noiseux LLP and then with PricewaterhouseCoopers LLP where, as a partner, he held senior positions in Information Systems and Management Consulting Services.</p>	2003	37,600
<p>Paul Coppinger<sup>(2)</sup> Oklahoma City, Oklahoma U.S.A.</p> <p>Director</p>	<p>Mr. Coppinger has extensive experience in the oil and gas service sector for two of the world's biggest tier 1 oil field services companies, as Vice President Sales and Marketing of EIMCO, formerly part of Baker Hughes Incorporated's water-related process equipment division, and also as Vice President and General Manager of Highland Artificial Lift Systems, a division of Energy Ventures Inc., now part of Weatherford International Ltd. He holds a Bachelor of Science in Petroleum Engineering from Texas Tech University and is currently President of the Energy Products Segment at CIRCOR International Inc., responsible for developing tailor-made solutions for customer-specific fluid control issues for the oil and gas industry.</p>	2007	100,000

Name, city, province and country of residence, and present position with ProSep	Principal occupation and brief biography	Director since	Number of shares beneficially owned or controlled or directed, directly or indirectly, as of the date hereof
<p>Jacques L. Drouin Montreal, Québec Canada</p> <p>President and Chief Executive Officer and Director</p>	<p>Mr. Jacques L. Drouin joined ProSep in October 2003 as Chief Financial Officer and Corporate Secretary and became Senior Vice President and Chief Financial Officer on November 1, 2006. On November 2, 2007, he became President and Chief Executive Officer of ProSep and a member of the Board of Directors. As of March 2008, Mr. Drouin was appointed non-executive director of Petrolia Inc. Mr. Drouin brings over fifteen years of experience in corporate finance. As a former Vice President and director at Deloitte &amp; Touche Corporate Finance Canada Inc., he has undertaken and managed numerous financing and merger and acquisition transactions for public as well as private companies. Mr. Drouin also worked as a corporate finance senior consultant at KPMG and at Nesbitt Thomson (now BMO Nesbitt Burns) as financial analyst in the investment-banking department. Jacques L. Drouin holds a bachelor in commerce and a master in management science from HEC Montréal, both specialized in finance.</p>	2007	112,000

<p>Bruno Ducharme<sup>(1)</sup> Montreal, Québec Canada</p>	<p>Mr. Ducharme is Chairman of TIW Capital Partners, a management and strategic advisory company specialized in telecommunications, media and technology. From 1994 to 2005 Mr. Ducharme was CEO of Telesystem International Wireless, a mobile communications company which he helped found.. Mr. Ducharme currently serves as a director of UAB Bité Lietuva, Orange Austria Telecommunications GmbH, Mobsat Group Holding s.à.r.l. and Globlive Wireless Management Corporation Mr. Ducharme holds an MBA and an MA from The Wharton School of the University of Pennsylvania and a BCL from McGill University.</p>	<p>2008</p>	<p>92,676 common shares \$250,000 (principal amount) convertible debentures</p>
<p>David Laidley<sup>(1) (4)</sup>  Montreal, Québec Canada  Director</p>	<p>Mr. Laidley is Chairman Emeritus of Deloitte &amp; Touche LLP (Canada), where he was a partner from 1975 until his retirement in 2007. Mr. Laidley served as Chairman of Deloitte &amp; Touche LLP from 2000 to 2006 and during that time, he also served on the Global Board of Deloitte Touche Tohmatsu as well as its Governance Committee and he chaired its Audit Committee. A chartered accountant, he has enjoyed a distinguished career spanning 40 years with Canada's largest professional services firm, with specialization in its tax and audit practices. Applying his background in tax, he has counselled many clients in the areas of corporate reorganizations, acquisitions and divestitures. Mr. Laidley serves on the boards of EMCOR Group Inc., Groupe Aeroplan Inc., Bank of Canada, Biovail Corp., Nautilus Indemnity Limited (where he is Chairman), and on a number of other boards of private institutions and foundations. Mr. Laidley is a Fellow of the Québec Order of Chartered Accountants and holds a Bachelor of Commerce degree from McGill University.</p>	<p>2008</p>	<p>85,000</p>
<p>Richard Lint<sup>(2)</sup> <sup>(3)</sup> Toronto, Ontario Canada  Director</p>	<p>Mr. Lint has extensive experience as senior executive and director at several of Canada's biggest investment banks, including Scotia Capital Inc. where he was Deputy Chairman and Head of Oil, Gas and Pipeline Group. At Citibank Canada, Mr. Lint was Chairman and CEO and repositioned the bank's Global Finance team. He also held senior positions at Nesbitt Thomson Inc., RBC Dominion Securities Inc. and McKinsey &amp; Company. Currently, Mr. Lint is a Consultant for Mercer Human Resource Consulting LLC, where he provides advice to companies in the financial and oil and gas</p>	<p>2007</p>	<p>25,000</p>

	industries on compensation and strategic planning. He holds a Bachelors Degree in Industrial Engineering and an MBA, both from the University of Toronto.		
Anthony Rustin <sup>(2)</sup> Montreal, Québec Canada  Chairman of the Board of Directors	Mr. Rustin has extensive experience in the industry, having held executive-level positions in corporate management, marketing, operations, manufacturing, project management and process development. As Executive Vice-President of SNC-Lavalin until 1999, he was responsible for many different industry sectors. For much of his career, first in the petroleum sector, and then for 26 years at SNC-Lavalin, he worked in petroleum production and processing. He negotiated contracts in numerous countries and was responsible for the acquisition of licensed technologies. Since he retired from full-time employment at SNC-Lavalin, Mr. Rustin has been acting as advisor to SNC-Lavalin on numerous matters, and has served as a member of the board of directors of several companies in which SNC-Lavalin is a significant shareholder. Mr. Rustin has served on the board of start-up companies in Canada and overseas, and has a B.Sc. and Ph.D. in Chemical Engineering. He is also a graduate of the Advanced Management Program at Wharton Business School.	2003	103,320
<p>(1) Member of the Audit Committee.                  (2) Member of the Human Resources and Corporate Governance Committee.                  (3) Mr. Lint was a member of the Audit Committee until August 13, 2008.                  (4) Mr. Laidley is a member of the Audit Committee since August 13, 2008.</p>			

## CERTAIN PROCEEDINGS

To the knowledge of ProSep, none of the proposed nominees for election as directors of ProSep: (a) are, as at the date hereof, or have been, within 10 years before the date of this Management Proxy Circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) are, as at the date of this Management Proxy Circular, or have been within 10 years before the date of this Management Proxy Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the 10 years before the date of this Management Proxy Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee, except that Bruno Ducharme was a director of Microcell Telecommunications Inc. when it elected and was granted protection to restructure its capital under the *Companies Creditors Arrangement Act* in January 2003.

## BOARD OF DIRECTORS, AUDIT COMMITTEE AND HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

ProSep does not have an executive committee of the Board of Directors. ProSep has two Board of Directors committees, namely: (i) an Audit Committee and (ii) a Human Resources and Corporate Governance Committee (the "**HR&CG Committee**" and collectively, with the Audit Committee, the "**Committees**"). Each of the Audit Committee and the HR&CG Committee is to be composed of three members.

The Audit Committee is currently composed of three members: (i) the Chair, Gérard Caron; (ii) Bruno Ducharme; and (iii) David Laidley. All members of the Audit Committee qualify as independent and financially literate Directors, in accordance with Multilateral Instrument 52-110. A description of the relevant education and experience of each member of the Audit Committee and a description of the Audit Committee pre-approval policy is set forth under the sections "Audit Committee" and "Audit Committee Pre-Approval Policy" of ProSep's Annual Information Form dated March 11, 2009. The HR&CG Committee is currently also composed of three members: (i) the Chair, Richard Lint; (ii) Paul Coppinger; and (iii) Anthony Rustin. All members of the HR&CG Committee qualify as independent Directors, as such term is defined under Section 1.4 of Multilateral Instrument 52-110.

Based on the information received from each Director and having taken into account the independence criteria in the securities legislation, the Board of Directors concluded that all

Directors of ProSep standing for election to the Board of Directors, with the exception of the President and Chief Executive Officer of ProSep, Jacques L. Drouin, are independent and unrelated. Therefore, a majority of Directors are independent. The Chairman of the Board of Directors is appointed by resolution of the Board of Directors among the Board of Directors members. The Chairman of the Board of Directors, Anthony Rustin, is an independent Director of ProSep.

The Board of Directors held five (5) meetings over the financial year ended December 31, 2008. The Audit Committee met four (4) times during the year while the HR&CG Committee met twice (2) during the year. The individual percentages of attendance by the Directors at the Board of Directors, the Audit Committee and the HR&CG Committee over the course of the financial year 2008 are set forth in the following table:

Directors	Board Meetings Attended	Telephone Board Meetings	Audit Committee	Human Resources and Corporate Governance Committee
Anthony Rustin	5 of 5	1 of 1	-	2 of 2
Jacques Drouin	5 of 5	1 of 1	-	-
G�rard Caron	5 of 5	1 of 1	4 of 4	
Jacques Allard <sup>(1)</sup>	1 of 1	1 of 1		1 of 1
Anthony G. Grace <sup>(1)</sup>	1 of 1	1 of 1	1 of 1	-
Paul Coppinger	5 of 5	1 of 1	-	2 of 2
Richard Lint	5 of 5	1 of 1	1 of 1	2 of 2
Bruno Ducharme <sup>(2)</sup>	3 of 3		2 of 2	
David Laidley <sup>(3)</sup>	2 of 2		1 of 1	

(1) Messrs. Allard and Grace resigned from the Board of Directors as of April 29, 2008.

(2) Started to be a director on April 29, 2008.

(3) Started to be a director on August 13, 2008.

## COMPENSATION DISCUSSION AND ANALYSIS

### Objectives of Compensation Program and Process for Determining the Compensation

The current process for determining the compensation to which Named Executive Officers are entitled is fairly simple as ProSep relies solely on Board of Directors discussion further to recommendation from the HR&CG Committee. The compensation is designed to attract and retain with ProSep, senior managers who have proven their ability, insight and judgment necessary for ProSep's long-term success, to encourage executives to further the development of ProSep, to motivate top quality and experienced executives, to encourage key employees to own more Shares and to allow cash payment to be made in Shares. The HR&CG Committee

has the mandate to make recommendations to the Board of Directors on all aspects of the compensation payable to the President and Chief Executive Officer and to the other senior officers and, ultimately, the Board of Directors has the discretion to accept or reject the HR&CG Committee's recommendations. The President and Chief Executive Officer may attend Committee meetings to provide advice and recommendations regarding issues of concern to the HR&CG Committee, including compensation of the Named Executive Officers. However, the President and Chief Executive Officer is not a member of the HR&CG Committee and as such, he is not entitled to vote on any matter brought before the HR&CG Committee and shall not be present during discussions of his own compensation. The HR&CG Committee also reviews, for approval by the Board of Directors, the design and competitiveness of the compensation program.

### **What the Compensation Program is Designed to Reward**

The HR&CG Committee is committed to the concept of executive compensation being related to corporate performance, but also believes that compensation should reflect operational, developmental and other results achieved by ProSep that contribute to increasing its value. Further, employees based in foreign countries must be compensated competitively with standards prevailing internationally within the oil and gas services industry.

### **Elements of Compensation, Determination of Amounts for Each Element and Rationale for Amounts for Each Element.**

The key elements of executive compensation consists of four components: base salary, a cash-based annual incentive, long term incentives through the granting of stock options and RSUs (as defined below) and employee benefits. As a senior officer's level of responsibilities increases, a greater portion of total compensation is based on performance. The HR&CG Committee reviews ProSep's performance on a quarterly basis, and assesses individual executive performance at year-end. The level of achievement of the objectives set in respect of each performance criteria has a direct impact on the cash-based annual incentive and is considered in the context of determining the long-term incentive compensation of each senior officer. In the 2008 financial year, the base salary represented on average 65%, the cash-based annual incentive, 25% and the long term incentives, 10% of the Named Executives Officers total compensation. ProSep does not disclose financial performance targets or performance goals in respect of specific qualitative performance-related factors on the basis that this information is confidential and sensitive and its disclosure would seriously prejudice ProSep's business interest. As compensation is, *inter alia*, related to financial targets such as projected global earnings before interest and taxes ("**EBIT**") and projected revenues and backlog, compensation relates directly to ProSep's global performance. The compensation of the President and Chief Executive Officer, Jacques L. Drouin, is described below.

#### *Base Salary*

Base salaries for Named Executive Officers and other senior executives are paid within a salary range established on the basis of the level of responsibility experience and specific competencies relative to positions in ProSep and relative to the median base salaries paid by similar organizations for equivalent positions and are reviewed on an annual basis by the HR&CG Committee. In this respect, ProSep identified remuneration practices and remuneration levels of publicly-traded Canadian companies that, similarly to ProSep, are involved in the oil and gas

services industry, have either a similar stages of development or are of comparable size in terms of factors such as revenue and market capitalization (the "**Comparator Group**"). While the Comparator Group is used to provide guidelines to the HR&CG Committee in the assessment of the Named Executive Officers' compensation package, the HR&CG Committee is aware that ProSep is a distinct oil and gas services company in that it has international operations and has both commercial operations as well as a R&D segment which differentiate ProSep from other companies in this sector of activities. ProSep's unique hybrid profile therefore makes it difficult to compare it to others. When analyzing the remuneration practices and levels of the Comparator Group, the HR&CG Committee also takes into consideration ProSep's financial targets and past performance.

#### *Annual Incentive Compensation*

The contribution of senior executives to corporate and business unit results shall be rewarded through the payment of cash bonuses and equity based compensation when the financial situation of ProSep allows for it. Cash bonuses are granted on the basis of the achievement of financial and non-financial performance objectives that are first identified by the President and Chief Executive Officer. For the financial year ending December 31, 2008, performance objectives for senior officers, including the Named Executive Officers, were established on the basis of corporate performance (*inter alia*, projected global EBIT and projected revenues and backlog) and specific corporate objectives and ranged from 25% to a maximum of 60% of the annual base salary. Each performance measure is weighted relative to its significance to the activities managed by the individual, and threshold, target and superior levels of performance are defined by the Chief Executive Officers. The HR&CG Committee is committed to tying executive compensation to both corporate results and individual performance. Thus, the balance of incentive compensation rewards individual performance and other significant contributions or achievements that relate directly to the areas of operations for which the individual is responsible. Each year, the HR&CG Committee approves the performance objectives or targets. The Board of Directors, upon recommendation of the HR&CG Committee, approves the final bonus awards.

#### *Long-Term Incentives*

ProSep believes that the grant of Options or RSUs as long-term incentives helps align Management interest to shareholder value growth. Options to purchase Shares and RSUs are granted to senior executives and other employees, based on a pre-established grid, depending on their title and responsibilities within ProSep. Options to purchase Shares and RSUs may be granted from time to time by the Board of Directors, upon recommendations of the HR&CG Committee, to senior executives and other employees pursuant to the plans in order to sustain a commitment to long-term profitability and maximize shareholder value.

#### **President and Chief Executive Officer Compensation**

The President and Chief Executive Officer's cash-based annual compensation is recommended by the HR&CG Committee and approved by the Board of Directors. The individual performance of the President and Chief Executive Officer is measured against the goals, objectives and standards, for the President and Chief Executive Officer personally and for ProSep as a whole, approved annually by the HR&CG Committee. The goals include both financial and non-financial dimensions, regarding ProSep's objectives (*inter alia*, projected global EBIT and projected revenues and backlog) and specific corporate objectives. Based on a review of the foregoing, the

HR&CG Committee rates the performance of the President and Chief Executive Officer as part of his performance review and recommends to the Board of Directors his compensation based on his and ProSep's performance.

*Base Salary*

The base salary paid to the President and Chief Executive Officer, Jacques L. Drouin, is also determined by reference to the Comparator Group. Accordingly, the HR&CG Committee review this information, as well as the performance of ProSep and of the President and Chief Executive Officer individually when making recommendations on the President and Chief Executive Officer's salary and annual incentives for a given year.

*Bonus*

A bonus of \$150,000, representing 60% of his base salary, was paid to the President and Chief Executive Officer in 2008 in respect of the 2008 financial year. His target bonus may represent 40% up to 60% of his base salary.

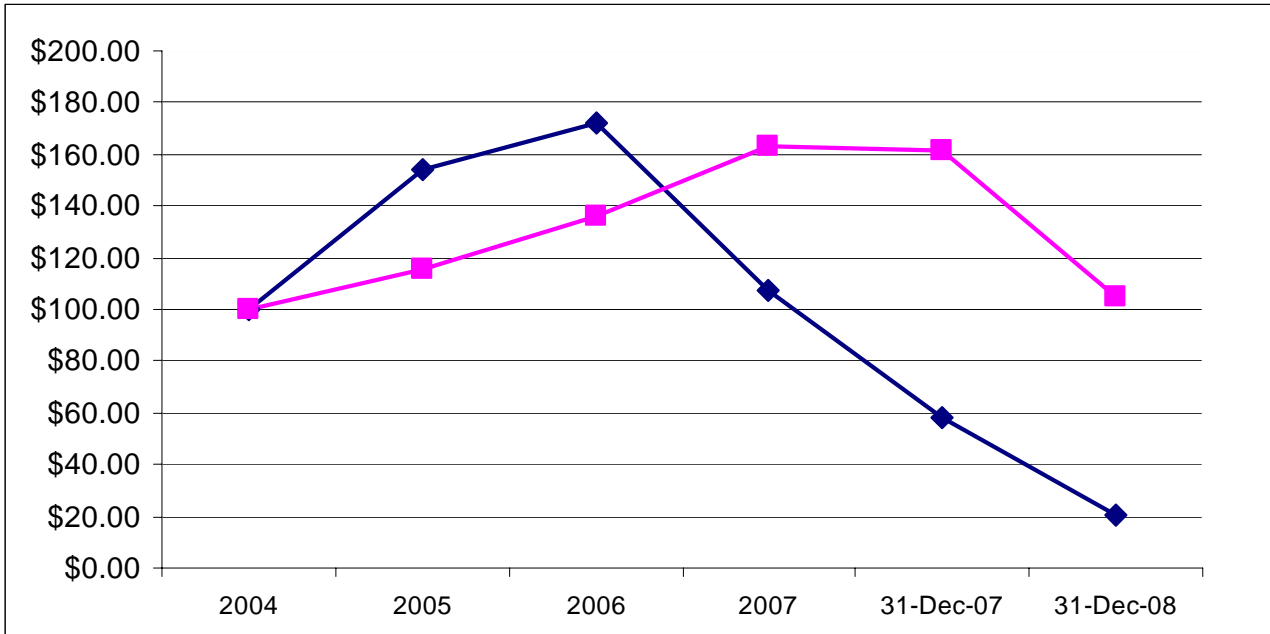
*Long-Term Incentives*



One element of the compensation program is to grant to the President and Chief Executive Officer Options or RSUs to ensure he has a long term incentive aligned with Shareholders.

For more information regarding grants of Options or RSUs under the plans to Directors and Named Executive Officers, see the heading "*Incentive Plan Awards*" below.

**PERFORMANCE GRAPH**

The following graph compares the cumulative total Shareholder return over the last five fiscal years on the Shares with the cumulative total return of the S&P/TSX Composite Stock Index as published by the Toronto Stock Exchange (the "**TSX**"). The year-end values of each investment are based on Share appreciation plus dividends paid in cash, with the dividends reinvested on the date they were paid. The calculations exclude trading commissions and taxes. This trend is not in line with ProSep's compensation to executive officers over the same period. Compensation has been maintained in keeping with market employment conditions.



		June 30th and December 31st					
		2004	2005	2006	2007	31-Dec-07	31-Dec-08
ProSep Inc.		\$100.00	\$153.85	\$172.31	\$107.69	\$58.46	\$20.77
S&P TSX Composite Index		\$100.00	\$115.88	\$135.89	\$162.73	\$161.87	\$105.17

### SUMMARY COMPENSATION TABLE

The following table sets forth all annual and long-term compensation for services in all capacities to ProSep for the three most recently completed financial years in respect of each of the individuals who were, as at December 31, 2008, the President and Chief Executive Officer, the Chief Financial Officer and Corporate Secretary, as well as each of ProSep's three most highly compensated executive officers whose total salary and bonus exceed \$150,000 (collectively, the "**Named Executive Officers**"), including any individual who would have qualified as a Named Executive Officer but for the fact that the individual was not serving as such an officer at the end of the most recently completed financial year.

Second Amendment

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation		Pension value (\$)	All other compensation (\$)	Total Compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)			
Jacques L. Drouin CEO ProSep Inc.	2008 2007 <sup>1</sup> 2007 <sup>2</sup> 2006	250,000 103,000 170,000 150,000	117,000 <sup>13</sup> - - -	- 58,994 <sup>14</sup> 47,237 148,217	150,000 <sup>15</sup> 65,000 <sup>16</sup> 50,000 <sup>17</sup> -	- - - -	- - - -	- - - -	517,000 226,994 267,237 298,217
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	2008	58,333 <sup>3</sup>	16,000	-	20,000 <sup>18</sup>	-	-	-	94,333
Susan Da Silva, VP Finance & Corp. Secretary, ProSep Inc.	2008 2007 <sup>1</sup> 2007 <sup>2</sup> 2006	64,615 <sup>4</sup> 52,538 90,100 68,326 <sup>5</sup>	- - - -	- 9,936 7,664 2,802	- 7,000 - -	- - - -	- - - -	- - - -	64,615 59,538 90,100 68,326
Lewis Mologne, President, ProSep Technologies Inc.	2008 2007 2006	201,739 <sup>6</sup> 185,874 <sup>7</sup> 185,693 <sup>8</sup>	78,000 24,800 -	- 21,652 -	121,043 <sup>15</sup> 65,548 <sup>16</sup> 24,534 <sup>17</sup>	- - -	- - -	14,179.41 <sup>19</sup> 165,479.92 <sup>20</sup> 5,397.55 <sup>21</sup>	400,782 452,358 210,227
Harald Linga VP Product Development, ProPure AS	2008 2007 2006	163,458 <sup>9</sup> 161,040 <sup>10</sup> 148,680 <sup>11</sup>	18,000 13,950 -	- 16,239 -	43,360 <sup>15</sup> 33,693 <sup>16</sup> 28,822 <sup>17</sup>	- - -	- - -	10,864 <sup>22</sup> 10,980 <sup>23</sup> 10,620 <sup>24</sup>	235,682 235,902 188,122
Matthew Rummer General Manager, ProSep AP	2008 2007 2006	130,960 <sup>12</sup> 120,047 -	19,500 10,230 -	- 10,826 -	31,161 <sup>15</sup> - -	- - -	- - -	30,362 <sup>22</sup> - -	211,983 141,103 -

<sup>1</sup> July 2007 to December 2007.

<sup>2</sup> July 2006 to December 2007.

<sup>3</sup> Annual salary of \$175,000. Mr. Daignault started to work at ProSep in September 2008.

<sup>4</sup> Annual salary of \$120,000. Ms. Da Silva resigned from ProSep in July 2008.

<sup>5</sup> Salary from September 2005 to June 30, 2006.

<sup>6</sup> Average yearly exchange rate CAD \$ 1.0671 = 1 USD.

<sup>7</sup> Average yearly exchange rate CAD \$ 1.2110 = 1 USD.

<sup>8</sup> Average yearly exchange rate CAD \$ 1.1340 = 1 USD.

<sup>9</sup> Average yearly exchange rate CAD \$ 0.1899 = 1 NOK.

<sup>10</sup> Average yearly exchange rate CAD \$ 0.1888 = 1 NOK.

<sup>11</sup> Average yearly exchange rate CAD \$ 0.1770 = 1 NOK.

<sup>12</sup> Average yearly exchange rate CAD \$ 0.1899 = 1 NOK.

<sup>13</sup> The value of the share based award was determined in accordance with Section 3870 of the Handbook by multiplying the market price at the grant date by the number of Shares granted. RSUs vest at the end of a 3-year period after granting date save and except for those which vest in 2010 which accounts for a 2-year period. These 2 year-period share based awards were granted as retention bonuses pursuant to the acquisition of Pure Group in October 2007. From an accounting standpoint, the value of these grants is amortized over the vesting period, taking into consideration the number of months in the financial year. The following table indicates the calculations for the said issuance:

Second Amendment

Name and Principal Position	Outstanding RSU	Market price at date of grant	Share-based award	# of months to vesting	# of months during the year	Amount booked in financial statements	Vesting Date
	(a)	(b)	(a) X (b) = (c)	(d)	(e)	(c)/(d) X (e) = (f)	
Jacques L. Drouin, CEO	300,000	0.39	117,000	36	8	26,000	April 2011
Patrice Daignault CFO, Corp Secretary	50,000	0.32	16,000	36	4	1,778	Sept. 2011
Susan Da Silva VP Finance & Corp Secretary	-	-	-	-	-	-	N/A
Serge Fraser VP Corp Development	50,000	0.39	19,500	36	8	4,333	April 2011
Lew Mologne, President ProSep Technologies, Inc.	80,000	0.31	24,800	24	12	12,400	Jan. 2010
	200,000	0.39	78,000	36	8	17,333	April 2011
						29,733	
Harald Linga, VP Product Develop.	45,000	0.31	13,950	24	12	6,975	Jan. 2010
	25,000	0.39	9,750	36	8	2,167	April 2011
	25,000	0.33	8,250	36	4	917	Aug. 2011
						10,058	
Petter Hovland, President ProPure AS	200,000	0.17	34,000	36	2	1,889	Nov. 2011
Matthew Rummer, General Manager ProSep AP	33,000	0.31	10,230	24	12	5,115	Jan 2010
	50,000	0.39	19,500	36	8	4,333	April 2011
						9,448	

<sup>14</sup> Options vest over a three-year period; 25% are vested when granted, 25% after 12 months, 25% after 24 months and 25% after 36 months. From an accounting standpoint, the value of these Options is recognized over the vesting period using these percentages in the vesting year. In accordance with Section 3870 of the Handbook, ProSep used the Black-Scholes-Merton option pricing model and the following assumptions (save and except for Messrs. Mologne, Linga and Rummer, the remaining Named Executive Officers voluntarily cancelled all of their outstanding options in 2008):

	Year ended December 31, 2008	Six-month period ended December 31, 2007	Year ended June 30, 2007
Risk-free interest rate	-	3.84% to 4.05%	4.01% to 4.13%
Expected life of options	-	5 years	5 years
Volatility	-	50%	91% to 95%
Dividend rate	-	0%	0%

Name and Principal Position	Out-standing Options	Value as per Black-Scholes-Merton	Issue year	Value per share	Amount Booked in Financial Statements 2006	Amount Booked in Financial Statements June 07	Amount Booked in Financial Statements Dec 07	Amount Booked in Financial Statements 2008
	(a)	(b)		(b)/(a) = (c)				
Jacques L. Drouin CEO	110,000	105,621	June 2006	0.96	29,573	35,230	17,603	-
	50,000	42,596	June 2006	0.85	1,183	4,199	7,099	-
	75,000	47,237	June 2007	0.63	-	19,682	5,905	-
	200,000	58,994	Dec 2007	0.29	-	-	17,207	-
					<b>30,756</b>	<b>69,111</b>	<b>47,814</b>	-
Patrice Daignault CFO, Corp Secretary	-	-	-	-	-	-	-	-
Susan Da Silva VP Finance & Corporate Secretary	35,000	6,721	2006	0.19	1,882	2,242	1,120	-
	7,000	2,823	2006	0.40	392	941	471	-
	7,000	9,508	2006	1.36	528	3,169	1,585	-
	5,000	3,149	June 2007	0.63	-	1,312	394	-
	74,000	21,828	Dec 2007	0.29	-	-	6,366	-
					<b>2,802</b>	<b>7,664</b>	<b>9,936</b>	-
Lewis Mologne, President ProSep Technologies, Inc	100,000	21,652	Dec 2007	-	-	-	5,413	5,568
Harald Linga, VP Product Develop., ProPure AS	75,000	16,239	Dec 2007	-	-	-	4,060	4,176
Matthew Rummer, General Manager ProSep AP	50,000	10826	Dec 2007	-	-	-	2,707	2,784

<sup>15</sup> This performance bonus was paid in 2009 for having achieved objectives in the 2008 financial year.

<sup>16</sup> A performance bonus of \$40,000 was paid in 2008 for having achieved objectives in the 2007 financial year. \$25,000 was paid as a special discretionary bonus in the 2008 financial year.

<sup>17</sup> This performance bonus was paid in 2007 for having achieved objectives in the 2008 financial year.

<sup>18</sup> This performance bonus was paid in 2008 for having achieved objectives in the 2007 financial year.

<sup>19</sup> In accordance with ProSep's policy, ProSep contributed \$14,179.41 to Mr. Mologne's 401(K).

<sup>20</sup> Compensation received in connection with the acquisition of Pure Group in October 2007 (\$154,484) and in accordance with ProSep's policy, ProSep contributed \$10,995.92 to Mr. Mologne's 401(K).

<sup>21</sup> In accordance with ProSep's policy, ProSep contributed \$5,397.55 to Mr. Mologne's 401(K).

<sup>22</sup> Automobile allowance.

## Narrative Discussion

Named Executive Officers are compensated for their services as Named Executive Officers. Mr. Drouin is entitled to receive an annual base salary of \$250,000 for the fiscal year ending December 31, 2008, subject to an annual review at the discretion of the Board of Directors, plus an annual performance bonus representing up to 60% of his base salary. Mr. Patrice Daignault is entitled to receive an annual base salary of \$175,000 along with a performance bonus of up to 37.5%. Mr. Mologne is entitled to receive an annual base salary of \$15,754.50 US per month for the fiscal year ending December 31, 2008 and is also subject to an annual performance bonus representing up to 60% of his base salary. Mr. Linga shall be compensated at the annual rate of \$165,000 as well as a performance bonus of up to 37.5%. Mr. Rummer is entitled to \$130,000 per year as well as a performance bonus of up to 45%. With a view to retaining skilled individuals, ProSep generally offers cash and non-cash compensation, adherence to a share-

based awards program called the restricted share unit plan and to ProSep's 2003 stock option plan pursuant to which options ("**Options**") and restricted share units ("**RSU**") may be granted. This aspect of their compensation may be performance related, but may also be, at the discretion of the Board of Directors upon the recommendation of the HR&CG Committee, a tool to invite motivation and appurtenance to ProSep. ProSep also has a long-term incentive plan which is applicable as a sales motivator and is performance driven. In any event, grants from all of the plans may be made, from time to time, to all salaried employees as well. In addition to standard clauses in the contracts, the Named Executive Officers' have incentive plans commonly-known as bonuses which are commensurate with each Named Executive Officers' function and performance within ProSep. These plans are discussed in further detail below. With respect to perquisites, ProSep chooses to pay a car allowance to certain Named Executive Officer (Messrs. Rummer and Linga) to facilitate their transportation between ProSep's facilities. In Mr. Rummer's case, the allowance is contained in his employment contract. In both cases, the allowance is determined by evaluating comparable rates. This element of compensation, and ProSep's desire to award it, fits within ProSep's compensation objectives in offering various incentives to retain skilled individuals. No other perquisites are offered to the Named Executive Officers that are either worth more than \$ 50,000 or worth 10% or more of a Named Executive Officer's salary for the financial year. No new actions, decisions, or policies were made after the end of the most recently completed financial year that could alter the comprehension of the reader with regard to compensation. ProSep's process for determining compensation is simple, insofar as ProSep relies on Board of Directors discussions, taking into consideration the recommendations of the HR&CG Committee, the compensation program, and the analysis and achievement of the objectives and performance goals contained therein for each Named Executive Officer in regard to his function and obligations.

## **Incentive Plan Awards**

### **Outstanding Share-Based Awards and Option-Based Awards**

When granting share based awards to Named Executive Officers, the HR&CG Committee reviews the overall performance of ProSep along with the performance of the Named Executive Officers in keeping with ProSep's compensation program to determine if share based awards may be granted to reward and motivate key personnel. ProSep's decision to grant RSUs to new personnel, namely Mr. Daignault, is made with a view to motivating and encouraging the individual. Previous grants of Option and share based awards are taken into consideration for the other Named Executive Officers, Directors and employees.

During the most recently completed financial year, the following Options were outstanding to the Named Executive Officers, taking into consideration their previous holdings:

Name	Option- based Awards <sup>1</sup>				Share- based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Jacques L. Drouin CEO, ProSep Inc.	-	-	-	-	300,000	40,500 <sup>2</sup>
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	-	-	-	-	50,000	6,750
Susan Da Silva VP Finance & Corp. Secretary, ProSep Inc. <sup>3</sup>	-	-	-	-	-	-
Lewis Mologne President, ProSep Technologies, Inc.	100,000	0.31	Dec. 19, 2012	-	280,000	37,800
Harald Linga VP Product Development, ProPure AS	75,000	0.31	Dec. 19, 2012	-	95,000	12,825
Matthew Rummer General Manager ProSep AP	50,000	0.31	Dec. 19, 2012	-	83,000	11,205

<sup>1</sup> Save and except for Messrs. Mologne, Linga and Rummer, the remaining Named Executive Officers voluntarily cancelled all of their outstanding Options in 2008.

<sup>2</sup> The market value of share-based awards was retained for calculation.

<sup>3</sup> Ms. Da Silva left ProSep in July 2008. At the time of her resignation, she had 25,000 Options which were cancelled. The potential value was \$3,375.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table summarizes, for the Named Executive Officers, the aggregate value realized upon vesting, if any, of the Options and share-based awards held at December 31, 2008 as well as the non-equity incentive awards for the most recently completed financial year.

Name	Option- based Awards - Value vested during the year (\$)	Share- based Awards - Value vested during the year (\$)	Non-equity incentive plan compensation- Value earned during the year (\$)
Jacques L. Drouin CEO, ProSep Inc.	-	- <sup>4</sup>	150,000 <sup>5</sup>
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	-	- <sup>4</sup>	20,000
Susan Da Silva VP Finance & Corp. Secretary, ProSep Inc.	-	- <sup>4</sup>	-
Lewis Mologne President, ProSep Technologies, Inc.	- <sup>1</sup>	- <sup>4</sup>	121,043
Harald Linga VP Product Development, ProPure AS	- <sup>2</sup>	- <sup>4</sup>	43,360
Matthew Rummer General Manager ProSep AP	- <sup>3</sup>	- <sup>4</sup>	31,161

<sup>1</sup> 25,000 Options with a strike price of \$0.31 vested on December 31, 2007. At Mr. Mologne's discretion, these Options were not exercised although the market price was \$0.38 yielding a gain of \$1,750. 25,000 Options with a strike price of \$0.31 vested on December 31, 2008. These Options were not exercised in light of the \$0.135 market price yielding a loss of \$4,375. The expiry date is 2012. 50,000 options remain unvested, 25,000 of which will vest in December 2009 and 25,000 in December 2010.

<sup>2</sup> 18,750 Options with a strike price of \$0.31 vested on December 31, 2007. At Mr. Linga's discretion, these Options were not exercised although the market price was \$0.38 yielding a gain of \$1,312. 18,750 Options with a strike price of \$0.31 vested on December 31, 2008. These Options were not exercised in light of the \$0.135 market price yielding a loss of \$3,281. The expiry date is 2012. 37,500 Options remain unvested, 18,750 of which will vest in December 2009 and 18,750 in December 2010.

<sup>3</sup> 12,500 Options with a strike price of \$0.31 vested on December 31, 2007. At Mr. Rummer's discretion, these Options were not exercised although the market price was \$0.38 yielding a gain of \$875. 12,500 Options with a strike price of \$0.31 vested on December 31, 2008. These Options were not exercised in light of the \$0.135 market price yielding a loss of \$2,188. The expiry date is 2012. 25,000 Options remain unvested, 12,500 of which will vest in December 2009 and 12,500 in December 2010.

<sup>4</sup> RSU vesting dates are found on page 17, at footnote 13.

<sup>5</sup> Bonus received.

### Option-Based Awards – 2003 Stock Option Plan

ProSep grants Options to its Directors, Officer, employees and others providing services to ProSep in accordance with the regulations set by the TSX and is subject to its approval. The total number of Shares that may be issued pursuant to this plan is limited to 10% of the issued and outstanding Shares. Options may be exercised at a price equal to the quoted market value at the date of grant. Options expire five years from the date of the grant. Options vest over a three-year period. 25% are vested when granted, 25% after 12 months, 25% after 24 months and 25% after 36 months. The fair value of the Options is amortized over the vesting period.

There were no Options granted during the year ended December 31, 2008. Had there been grants, ProSep's process would have been based on a specific pre-established grid and related

to financial and non-financial objectives. The formulae used to determine the amounts, the exercise prices and expiry dates are contained in footnote 14 on the table on page 18 of the Management Proxy Circular.

#### Share-Based Awards – Restricted Share Units (RSUs)

The RSU plan provides participants with the opportunity to acquire a proprietary interest in the growth and development of ProSep and its subsidiaries that will be aligned with the interests of the Shareholders and enhance ProSep's and its subsidiaries' ability to attract, retain and motivate key personnel and reward Directors, Officers and employees for significant performance and distributable cash flow growth. This plan provides participants with compensation in the form of RSU in addition to the participant's regular compensation for services he or she renders in respect of ProSep or any of its subsidiaries in the year of the grant. Each RSU will give the participant the right to receive, upon each vesting date with respect to such portion of the RSU that vest over time upon the meeting of certain vesting conditions. Each RSU is equivalent in value to one Share. ProSep accounts for RSU compensation using the fair value of the Share at the date of the grant. The Shares will be issued from the treasury of ProSep. The number of Shares reserved at any time must not exceed 10% of the aggregate number of Shares. ProSep's goal is to have approximately 75% of all the RSUs granted in the following percentage: 60% to Management, 20% to Directors and 20% to business unit vice-president and managers. The formulae used to determine the amount, exercise prices, expiry and vesting dates are contained in footnote 13 on the table on page 17 of the Management Proxy Circular.

#### Non-Equity Incentive Plan

In addition to their basic annual remuneration, the Named Executive Officers are entitled to a bonus ranging from 25% to a maximum of 60% of their annual base salary if the set of financial (*inter alia* projected global EBIT and projected global revenues and backlog) and non-financial goals are achieved. In the case of ProSep's subsidiaries, these goals are operational and directly related to profitability and achieving certain pre-fixed revenues. In the case of ProSep's executives who work on qualitative goals, such as successful research, development, intellectual property and the like, broader subjective criteria are used for award. In all cases, the performance goals, whether qualifying or quantifying, originate from ProSep's compensation program which is approved by the Board of Directors. Moreover, the Named Executive Officers are consulted and agree to the performance goals set out for them individually. The goals are meant, in all cases, to be achievable and are an appreciated incentive. It is likely that ProSep will achieve most of the performance goals set out. With respect to Lewis Mologne and Matthew Rummer, who have the operational responsibility of managing business units, their bonuses are based on operational quantitative results. Patrice Daignault, and Harald Linga have corporate responsibilities and part of their bonus is based on achieving global quantitative operational achievements. A significant portion of their bonus is also based on subjective criteria. Jacques Drouin is evaluated on ProSep's global financial results and the achievement of specific corporate objectives.

#### Long-Term Incentive Plan ("LTIP") – Awards in Most Recently Completed Financial Year

ProSep has an LTIP, pursuant to which cash or non-cash compensation intended to serve as an incentive for performance is paid or distributed to the Named Executive Officers during the most

recently completed financial year. This plan's objective is to compensate sales-related performances.

There were no awards granted during the year ended December 31, 2008. Had there been grants, the process would have been based on a pre-established grid and related to financial and non-financial objectives.

## PENSION PLAN BENEFITS

### Defined Benefit Plans Table

Name	Number of years credited service (#)	Annual benefits payable (\$)		Accrued obligation at start of year (\$)	Compensatory change (\$)	Non-compensatory change (\$)	Accrued obligation at year end (\$)
		At year end	At age 65				
Jacques L. Drouin CEO, ProSep Inc.	N/A	N/A		N/A	N/A	N/A	N/A
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	N/A	N/A		N/A	N/A	N/A	N/A
Susan Da Silva VP Finance & Corp. Secretary, ProSep Inc.	N/A	N/A		N/A	N/A	N/A	N/A
Lewis Mologne President, ProSep Technologies, Inc.	N/A	N/A		N/A	N/A	N/A	N/A
Harald Linga <sup>1</sup> VP Product Development, ProPure AS	11.1	16,848	42,471	229,730	40,365	N/A	286,767
Matthew Rummer General Manager ProSep AP	N/A	N/A		N/A	N/A	N/A	N/A

<sup>1</sup> Exchange rate (NOK to CAD) of 5.698 as of December 31, 2008.

Until June 30, 2007, ProSep had no pension plan. Since that date, only the Norwegian subsidiary (Pure Group AS) has a pension plan, to which Mr. Linga is contributor. The pension plan is government-regulated and managed by a trustee in Norway. ProSep measures its accrued benefit obligation and the fair value of the plan assets for accounting purposes at December 31 of each year.

This plan applies in scope, terms and operation and is available to all Norwegian subsidiary salaried employees.

**Defined Contribution Plans Table**

<b>Name</b>	<b>Accumulated value at start of year (#)</b>	<b>Compensatory (\$)</b>	<b>Non-compensatory (\$)</b>	<b>Accumulated value at year end (\$)</b>
Jacques L. Drouin CEO, ProSep Inc.	-	-	-	-
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	-	-	-	-
Susan Da Silva VP Finance & Corp. Secretary, ProSep Inc.	-	-	-	-
Serge Fraser VP Corporate Development, ProSep Inc.	-	-	-	-
Lewis Mologne President, ProSep Technologies, Inc.	-	-	-	-
Harald Linga VP Product Development, ProPure AS	-	-	-	-
Petter Hovland President & General Manager ProPure AS	-	-	-	-
Matthew Rummer General Manager ProSep AP	-	-	-	-

ProSep has no defined contributions plan. See Summary Compensation Table – All Other Compensation for ProSep's contribution to Mr. Mologne's account.

**Termination of Employment and Change of Control Benefits**

Pursuant to the employment agreement entered into by Mr. Jacques L. Drouin and ProSep on October 23, 2003, as amended on June 15, 2006, and to a change of control agreement entered into on May 10, 2006 and on November 5, 2007 (the "**Employment Agreement**"). Mr. Drouin is entitled to receive, in the event ProSep terminates Mr. Drouin's employment without cause (as determined in accordance with applicable law) prior to the occurrence of a transaction or event constituting a change of control, to the extent of twelve months base salary and in the event of a change of control, he shall be entitled to twenty-four months of his base salary and any and all accrued bonuses. Assuming that Mr. Drouin were terminated on the last business day of ProSep's most recently completed financial year, calculations under the circumstances contained in his contracts and likely to trigger payments by ProSep are set out below.

<b>Termination</b>	
Notice	-
Accrued unpaid base salary to year end	2,885
Bonus	150,000
Accrued unpaid Vacation	-
Prorated RSUs	9,000
	<b>\$161,885<sup>1</sup></b>
<b>Termination less than 12 months after Change of Control</b>	
24 months base salary Notice	500,000
Accrued unpaid base salary to year end	2,885
Bonus	150,000
Accrued unpaid Vacation	-
Options	-
Prorated RSUs	40,500
	<b>\$693,385<sup>1</sup></b>
<b>Termination more than 12 months after Change of Control</b>	
12 months base salary Notice	250,000
Accrued unpaid base salary to YE	2,885
Bonus	150,000
Accrued unpaid Vacation	40,500
Options	-
Prorated RSUs	40,500
	<b>\$483,884<sup>1</sup></b>

<sup>1</sup> In addition to payment of all outstanding expenses, if any.

Pursuant to the employment agreement entered into by Mr. Patrice Daignault on July 28, 2008, Mr. Daignault is entitled to receive, in the event that ProSep terminates Mr. Daignault's employment without cause (as determined in accordance with applicable law), Mr. Daignault shall be entitled to receive six (6) months of base salary plus the accumulated prorated bonus as of March 2, 2009. Assuming that Mr. Daignault were terminated on the last business day of ProSep's most recently completed financial year, calculations under the circumstances contained in his contracts and likely to trigger payments by ProSep are set out below.

<b>Termination</b>	
Accrued unpaid base salary to Year end	2,019
Bonus	-
Accrued unpaid Vacation	4,712
Prorated RSUs	750
	<b>\$7,481<sup>1</sup></b>

<sup>1</sup> In addition to payment of all outstanding expenses, if any.

Pursuant to the employment agreement entered into by Mr. Lewis Mologne and ProSep Technologies, Inc. on June 6, 2005, and renewed thereafter on a yearly basis, Mr. Mologne shall be entitled to receive, in the event ProSep Technologies, Inc. terminates Mr. Mologne's employment other than for cause to the following: Twelve months current base salary and benefits and the proportion of his target bonus with a minimum of 50% of the said bonus. Assuming that Mr. Mologne were terminated on the last business day of ProSep's most recently

completed financial year, calculations under the circumstances contained in his contracts and likely to trigger payments by ProSep are set out below.

<b>Termination for cause</b>	
Notice	-
Accrued base salary to year end <sup>1</sup>	-
Bonus	121,043
Payment of all outstanding expenses, if any	
Accrued unpaid Vacation	-
	<b>\$121,043</b>

<sup>1</sup> Zero as salary paid monthly.

<b>Termination for good reason (employee) or for other reason (employer)</b>	
12 months Notice	244,920
Accrued base salary to year end <sup>1</sup>	-
Bonus	121,043
Accrued unpaid Vacation	-
Prorated RSUs	11,400
	<b>\$377,363<sup>2</sup></b>

<sup>1</sup> In addition to payment of all outstanding expenses, if any.

<sup>2</sup> Zero as salary paid monthly.

Pursuant to the employment agreement entered into by Mr. Harald Linga and Pure Group AS, Mr. Linga shall be given six (6) months salary other than for cause. Assuming that Mr. Linga were terminated on the last business day of ProSep's most recently completed financial year, calculations under the circumstances contained in his contracts and likely to trigger payments by ProSep are set out below.

<b>Termination</b>	
3 months notice	42,120
6 months Severance base salary <sup>1</sup>	84,240
Accrued base salary to year end <sup>2</sup>	
Prorated RSUs	4,163
Accrued unpaid Vacation	19,307
	<b>\$149,830<sup>3</sup></b>

<sup>1</sup> Annual salary of 1M NOK converted at year end rate of 0.1755 NOK/CAD.

<sup>2</sup> Zero as Norway employees get paid the 15th of the month for the whole month.

<sup>3</sup> In addition to payment of all outstanding expenses, if any.

Matthew Rummer entered into a three-year expatriate employment contract with ProSep AP Sdn. Bhd. (formerly Pure Group Asia Pacific Sdn. Bhd.) on January 26, 2007. Should Mr. Rummer be terminated, other than for cause, Mr. Rummer shall be entitled to a three (3) month notice. Assuming that Mr. Rummer were terminated on the last business day of ProSep's most

recently completed financial year, calculations under the circumstances contained in his contracts and likely to trigger payments by ProSep are set out below.

<b>Termination</b>	
3 months Notice <sup>1</sup>	37,067
Accrued base salary to year end <sup>2</sup>	-
Prorated RSUs	3,728
	<b>\$40,795<sup>3</sup></b>

<sup>1</sup> Assumption: monthly salary of 34,834 MYR converted at rate of 0.3547 MYR/CAD.

<sup>2</sup> Zero as monthly payment assumed.

<sup>3</sup> In addition to benefits granted under Malaysian law.

Following Ms. Da Silva resignation in June 2008, no payments were made by ProSep to Ms. Da Silva.

### DIRECTORS' COMPENSATION

Directors are compensated for their services as Directors. It is recommended that each new incoming Director receive 25,000 RSUs with the Chairman of the Board of Directors being granted an additional number of RSUs as recommended to the Board of Directors by the HR&CG Committee. The amount of RSUs granted to the Chairman should be three times the amounts granted to Directors. Further, all Directors receive an annual retainer fee of \$7,000 payable fully in cash, and the Chairman of the Board of Directors receives an additional annual retainer fee of \$10,000 payable fully in cash. Additionally, members of the Audit Committee and the HR&CG Committee each receive an annual retainer of \$1,000, while the Chairs of the Audit Committee and of the HR&CG Committee receive an additional annual retainer fee of \$6,000 and \$4,500, respectively, payable fully in cash. Directors are also paid \$800 (live or telephone attendance) per Board of Director or Committee meeting attended. Directors are reimbursed for reasonable out-of-pocket expenses incurred in connection with their services as Directors. In addition, the Directors are also eligible for grant of Options and are also eligible for grants of RSU based on a pre-established grid and related to financial and non-financial objectives. Working meetings of the Board of Directors during the year are also remunerated at the same rate as regular Board of Directors meetings. Directors are also required to purchase at market value, from the stock market, a minimum of 50,000 Shares within a period of two years from the date of commencement of directorship. The directors receive no other compensation.

### DIRECTORS' COMPENSATION TABLE<sup>1</sup>

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total
Anthony Rustin	26,000	-	- <sup>4</sup>	-	-	-	26,000
G�rard Caron	25,450	-	-	-	-	-	25,450
Paul	18,403 <sup>2</sup>	-	-	-	-	-	18,400

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total
Coppinger							
Bruno Ducharme	10,933	9,750 <sup>3</sup>	-	-	-	-	20,685
Richard Lint	24,517 <sup>2</sup>	-	-	-	-	-	24,517
David Laidley	5,484	7,750 <sup>4</sup>	-	-	-	-	13,234
Jacques Allard <sup>4</sup>	7,617	-	- <sup>6</sup>	-	-	-	7,617
Anthony Grace <sup>4</sup>	9,067 <sup>2</sup>	-	- <sup>6</sup>	-	-	-	9,067

<sup>1</sup> As at December 31, 2008, director does not have any RSUs.

<sup>2</sup> Includes reimbursement of travel expenses.

<sup>3</sup> 25,000 at \$0.39. Value of RSU at the date of granting on April 29, 2008.

<sup>4</sup> 25,000 at \$0.31. Value of RSU at the date of granting on August 13, 2008.

<sup>5</sup> Until April 29, 2008.

<sup>6</sup> Options were forfeited upon departure.

## Incentive Plan Awards

### Outstanding Option- Based Awards and Share-Based Awards

Name	Option- based Awards				Share- based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Antony Rustin	-	-	-	-	-	-
G�rard Caron	-	-	-	-	-	-
Paul Coppinger	-	-	-	-	-	-
Bruno Ducharme	-	-	-	-	25,000	-
Richard Lint	-	-	-	-	-	-
David Laidley	-	-	-	-	25,000	-
Jacques Allard	-	-	-	-	-	-
Anthony Grace	-	-	-	-	-	-

## Narrative Discussion

The HR&CG Committee uses the Korn Ferry/Patrick O'Callaghan & Associates annual Review of Corporate Board Governance and Director Compensation in Canada (the "**Review**") as the primary source of information to establish the compensation level of the members of the Board of Directors. The process carried out on an annual basis by the Board of Directors to establish such compensation level is the following: (a) select the category of public issuers with the lowest asset base participating in the review; (b) review thoroughly the compensation structure associated with this category of public issuers; (c) adopt such compensation structure but establish the Director compensation's level at the lower end of the spectrum of comparables; and (d) isolate a subset of public issuers of similar size and compare the compensation structure adopted with the remuneration of the directors of the public issuers included in the subset. While the following companies are somewhat larger than ProSep, their operations are generally no more complex, indeed, often less complex than ProSep: Minefinders Corp., Genum Inc., Cryptologic Inc., Novagold Inc., Vicwest Income Fund and Crystallex International.

## Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholder(s) <sup>(1)</sup>	449,000	0.32\$	5,995,345

(1) As at December 31, 2008.

No grants of Options to purchase Shares were made to ProSep Officers, including the Named Executive Officers, and no Options were exercised in 2008.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

No individual who is, or at any time during the most recently completed financial year was, a Director, an Officer, an employee of ProSep (the "**Employee**") or any associate of such Director, Officer or Employee is, or was at any time since the beginning of the most recently completed financial year of ProSep, indebted to ProSep, or is or has been indebted to another entity that is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Pro Sep during that period.

## MANAGEMENT CONTRACTS

To the best of the knowledge of the Directors and of the Officers, Management functions of ProSep are not, to any substantial degree, performed by a person other than the Directors and the Officers.

## APPOINTMENT OF AUDITORS

The Board of Directors will recommend at the Meeting that the Shareholders re-appoint Raymond Chabot Grant Thornton ("**RCGT**") as auditors of ProSep to hold office until the next annual meeting of Shareholders, and authorize the directors to fix their remuneration. RCGT was first appointed as auditors of ProSep in December 2007. RCGT's report on ProSep's financial statements for the year ending December 31, 2008 did not contain any reservations or reportable events.

## AUDITOR INDEPENDENCE

RCGT are the current auditors of ProSep until the Meeting. RCGT provided audit, tax and other audit-related services to ProSep. The Audit Committee has considered and concluded that the provision of these services by RCGT was compatible with maintaining RCGT'S independence. The following chart shows all fees paid to Deloitte & Touche Canada and UK ("**D&T**") and to RCGT by ProSep and its subsidiaries in the most recent and the prior financial years. No fees were paid to RCGT for 2007.

Fee Type	Fees paid to RCGT December 31, 2008	Fees paid to D&T December 31, 2008	Fees paid to D&T December 31, 2007	Fees paid to D&T June 30, 2007	Fees paid to D&T 2006
<b>Audit services</b> <sup>(1)</sup>	\$229,820	\$26,719	\$82,000	\$ 64,222	\$ 38,622
<b>Audit-related services</b> <sup>(2)</sup>	\$ 35,580	\$ 26,200	\$ 50,742	\$ 150,600	\$ 9,500
<b>Tax services</b> <sup>(3)</sup>	\$ 42,500	\$ 14,173	\$ 4,850	\$ 125,144	\$ 35,213
<b>Other services</b> <sup>(4)</sup>	\$ 17,796	\$ 7,500	\$ 345,545	\$ 50,000	\$ 25,795
	\$ 325,696	\$ 74,592	\$ 483,137	\$ 389,966	\$ 109,130

(1) "**Audit Services**" consist of all fees paid to D&T and RCGT for the audit of the annual financial statements and other statutory and regulatory audits or filings.

(2) "**Audit-Related Services**" consist of all fees paid to D&T and RCGT for the audit or review of interim financial statements, including advice provided in connection with financial reporting and accounting standards.

(3) "**Tax Services**" consist of all fees paid to D&T and RCGT for tax compliance services, tax advice and planning and advice related to the preparation of tax returns and capital and sales tax statements.

(4) "**All Other Services**" refers to fees paid to D&T and RCGT for all services other than the services reported under Audit Fees, Audit-Related Fees and Tax Fees, including, inter alia, due diligence and financing-related fees.

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees ProSep's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including internal control systems. In fulfilling its oversight responsibilities, the Audit Committee reviews the audited financial statements of ProSep with Management. This review involves a discussion of the quality, and not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosure in the financial statements.

The Audit Committee also reviews the audited financial statements with the independent auditors, who are responsible for expressing an opinion on the conformity of such financial statements with generally accepted accounting principles, their view as to the quality, and not just the acceptability, of ProSep's accounting principles under generally accepted auditing standards. In addition, the Audit Committee discusses with the independent auditors, the auditors' independence from Management and ProSep, and considers the compatibility of non-audit services with the auditors' independence.

The Audit Committee discusses the overall scope and plan for the annual audit with ProSep's independent auditors. The Audit Committee meets with the independent auditors, with and without Management present, to discuss the results of their examinations, their evaluations of ProSep's internal controls and the overall quality of ProSep's financial reporting.

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax and other services performed by the independent auditor. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it.

For a complete description of the Audit Committee responsibilities, please review the Audit Committee Mandate included in this Management Proxy Circular at Schedule E.

The Audit Committee, whose members' names are set out below, has approved the issue of this Report of the Audit Committee and its inclusion in this Management Proxy Circular.

Gérard Caron (Chair)  
Bruno Ducharme  
David Laidley

### **NAME CHANGE**

On April 29, 2008, the Company received shareholder approval to change the company's name from TORR Canada Inc. to ProSep Inc.

### **SHAREHOLDER PROPOSALS**

The CBCA provides that a registered holder or beneficial owner of shares that is entitled to vote at an annual meeting of ProSep may submit to ProSep notice of any matter that the person proposes to raise at the meeting (referred to as a "**Proposal**") and discuss at the meeting any matter in respect of which the person would have been entitled to submit a Proposal. The CBCA further provides that ProSep must set out the Proposal in its management proxy circular along with, if so requested by the person who makes the Proposal, a statement in support of the Proposal by such person. However, ProSep will not be required to set out the Proposal in its management proxy circular or include a supporting statement if, among other things, the Proposal is not submitted to ProSep at least 90 days before the anniversary date of the notice of meeting that was sent to the Shareholders in connection with the previous annual meeting of Shareholders of ProSep. As such, Proposals intended to be presented at the next annual meeting of Shareholders of ProSep must be received by ProSep, c/o Computershare Investor Services Inc., if by deposit or mail, to 100 University Avenue, 9th Floor, Toronto, Ontario M5J

2Y1, or by facsimile transmission to (514) 982-7635, no later than December 15, 2009 for inclusion in ProSep's management proxy circular relating to that meeting. It is recommended that Proposals be delivered to ProSep by registered mail.

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Directors and Officers are covered under a directors' and officers' liability insurance policy. The yearly coverage limit of such policy is set at \$10,000,000. ProSep has paid premiums of \$92,377 over the course of the financial year ended December 31, 2008 in respect of such directors' and officers' liability insurance. The annual premiums, which have not been specifically allocated between the Directors as a group and the officers as a group, were paid entirely by ProSep.

### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Shares were formerly listed on the TSX Venture Exchange and began listing on the TSX on September 14, 2006. As a result, ProSep is subject to various rules and guidelines regarding corporate governance. ProSep's corporate governance practices aim at ensuring the efficient administration of ProSep and at maximizing shareholder value.

In 2005, the Canadian Securities Administrators ("**CSA**") implemented guidelines on best corporate governance practices (which are not mandatory) and require the annual disclosure of information dealing with the board of directors, directors orientation and continuing education measures, ethics, nomination and compensation processes and performance assessment of the board of directors and its committees. As a result of the above, the TSX repealed its corporate governance guidelines and requires that listed companies comply with CSA's disclosure requirements. ProSep's disclosure of corporate governance practices is set out in Schedule A to this Management Proxy Circular.

As proposals and new regulatory provisions come into effect, they are reviewed by the HR&CG Committee and by the Board of Directors and, if necessary or appropriate, ProSep's governance practices are modified or supplemented. ProSep complies with the CSA's corporate governance best practices guidelines.

As part of its ongoing process to enhance ProSep's corporate governance, during the last 12 months, the Board of Directors directly or through the Audit Committee or the HR&CG Committee, conducted:

- (i) a review of ProSep's Code of Conduct available on SEDAR at [www.sedar.com](http://www.sedar.com);
- (ii) a review of the mandate of the Board of Directors (attached hereto as Schedule B);
- (iii) a review of a position description for the Chairman of the Board of Directors (attached hereto as Schedule C);
- (iv) a review of a position description for the President and Chief Executive Officer (attached hereto as Schedule D);
- (v) a review of the mandate of the Audit Committee and of the HR&CG Committee (attached hereto respectively as Schedules E and G);
- (vi) a review of a position description for the Audit and HR&CG Committee Chair (attached hereto respectively as Schedules F and H); and

- (vii) an assessment of the Board of Directors' and Audit and HR&CG Committees' performance.

### **ADDITIONAL INFORMATION**

ProSep is a reporting issuer under the securities acts of Québec, Ontario, Alberta and British Columbia and is therefore required to file financial statements and information circulars with the various securities commissions and similar authorities of such provinces. ProSep will provide to any person, upon request to the Secretary of ProSep, at 1155 Wellington Street, Montreal, Québec, H3C 1V9, the following:

- (i) one copy of the audited financial statements for the year ended December 31, 2008, together with the accompanying report of the auditors thereon, and one copy of any of the quarterly financial statements of ProSep pertaining to its 2008 financial year;
- (ii) one copy of the Management's Discussion and Analysis for the year ended December 31, 2008;
- (iii) one copy of the Annual Information Form dated March 11, 2009; and
- (iv) one copy of this Notice of Annual and Meeting of Shareholders and the Management Proxy Circular.

The above documents, as well as ProSep's news releases, are also available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in ProSep's comparative financial statements and Management's Discussion and Analysis for the most recently completed financial year.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, no Director or officer or any associate or affiliate of such Director or officer, has any material interest, direct or indirect, in any transaction since the commencement of ProSep's last financial year that has materially affected ProSep, or any proposed transaction that would materially affect ProSep, except with respect to an interest arising from the ownership of securities of ProSep where such person will receive no extra or special benefit or advantage not shared on a pro rata basis by all holders of securities of the same class in the capital of ProSep or all other holders of the same class of securities who are resident in Canada.

### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTER TO BE ACTED UPON**

Except as otherwise disclosed herein, no individual who is or has been a Director or an Officer at any time since the beginning of the last financial year of ProSep, or any associate or affiliate of such Director or Officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of Directors or appointment of auditors.

## **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent for ProSep is Computershare Investor Services Ltd., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

## **OTHER BUSINESS**

Management knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. However, if any other matters which are not known to Management shall properly come before the Meeting, the Proxy given pursuant to the solicitation by Management will be voted on such matters in accordance with the best judgment of the persons voting the Proxy.

## **APPROVAL OF MANAGEMENT PROXY CIRCULAR**

The undersigned hereby certifies that the contents and the sending of this Management Proxy Circular have been approved by the Directors.

DATED at Montreal, Québec, this 11<sup>th</sup> day of March, 2009.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF PROSEP INC.**

*(s) Jacques L. Drouin*

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Jacques L. Drouin  
President and Chief Executive Officer

## SCHEDULE A

**STATEMENT OF ALIGNMENT OF CORPORATE  
GOVERNANCE PRACTICES WITH CSA GUIDELINES**

Effective on June 30, 2005, the Canadian Securities Administrators ("**CSA**") have adopted a uniform final version of their proposed corporate governance disclosure rule, known as National Instrument 58-101: *Disclosure of Corporate Governance Practices* (the "**Disclosure Instrument**") and the associated National Policy 58-201: *Corporate Governance Guidelines* (the "**Governance Policy**"). The Governance Policy provides guidance on governance practices to Canadian issuers, while the Disclosure Instrument requires issuers to make the prescribed disclosure regarding their governance practices. The disclosure made hereunder refers to the items of the Disclosure Instrument as well as to the Governance Policy, where appropriate. ProSep believes that its corporate governance practices meet and exceed the requirements of the Disclosure Instrument and the Governance Policy as reflected in the disclosure made hereunder.

In January 2004, the CSA adopted Multilateral Instrument 52-110 – *Audit Committees*. Certain amendments of this instrument were subsequently adopted and are effective since June 30, 2005 (as amended the "**Audit Committee Rules**"). The Audit Committee Rules include requirements regarding audit committee composition and responsibilities, as well as reporting obligations with respect to audit related matters. ProSep complies with the Audit Committee Rules and the required disclosure related thereto is set forth under the Audit Committee Section of ProSep's Annual Information Form dated September 13, 2006.

The Board of Directors and the Management are committed to conducting ProSep's operations in accordance with the highest standards of corporate governance. The Board of Directors and Management believe that good corporate governance improves corporate performance and benefits all Shareholders. The Board of Directors have for many years recognized the importance of good governance and has been committed to developing and continuously improving on best practices in corporate governance. The Human Resources and Corporate Governance Committee monitors closely ProSep's governance practices and revises them to ensure ProSep is in compliance with all new regulatory developments. ProSep's approach to corporate governance, with reference to the applicable Disclosure Instrument, is set out below.

<b>CSA DISCLOSURE GUIDELINE</b>	<b><i>Alignment by ProSep</i></b>	<b>DESCRIPTION OF ProSep's GOVERNANCE PRACTICES</b>
<b>1. Board of Directors</b>		
Disclose the identity of Directors who are independent and those who are not, and for non-independent Directors, the basis for concluding that the Director is not independent.	Yes	G�rard Caron: Independent Bruno Ducharme Independent Jacques L. Drouin: Non-Independent Anthony Rustin: Independent Paul Coppinger: Independent David Laidley Independent Richard Lint: Independent

## Second Amendment

<b>CSA DISCLOSURE GUIDELINE</b>	<b>Alignment by ProSep</b>	<b>DESCRIPTION OF ProSep's GOVERNANCE PRACTICES</b>
Pursuant to s.1.2 of the Disclosure Instrument and ss.1.4 and 1.5 of the Audit Committee Rules, an "independent director" is a director who has no direct or indirect material relationship with ProSep. A "material relationship" is a relationship which could, in view of the Board of Directors, be reasonably converted to interfere with the exercise of a member as independent judgment. A non-independent director is a director who is not an independent director.	Yes	<ul style="list-style-type: none"> <li>• In determining whether a particular Director is an independent Director or a non-independent Director, the Board of Directors examined the factual circumstances of each Director on the basis of the information provided by each Director as to his individual circumstances.</li> <li>• Only Jacques L. Drouin, the President and Chief Executive Officer of ProSep, is considered by the Board of Directors to be a non-independent Director.</li> </ul>
Disclose whether or not a majority of the Directors are independent.	Yes	<ul style="list-style-type: none"> <li>• Six of the seven Directors (or 85.7%) qualify as independent Directors.</li> </ul>
If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the Director and the issuer.	Yes	<ul style="list-style-type: none"> <li>• See table set forth at pages 5 to 7 of the Management Proxy Circular which presents all of the other directorships held by each Director.</li> </ul>
Disclose whether or not the independent Directors regularly scheduled meetings at which non-independent and members of management are not in attendance. If each meeting were held, the number of meetings held within the preceding twelve (12) months, and if such meetings were not held, what the board does to facilitate open and candid discussion among independent Directors.	Yes	<ul style="list-style-type: none"> <li>• The independent Directors met <i>in camera</i> two (2) times in the preceding twelve months without members of Management and non-independent Directors being present. An <i>in camera</i> session is systematically included as an agenda item at each Board of Directors meeting.</li> <li>• The Audit and HR&amp;CG Committee members met <i>in camera</i> 1 times and two (2) times, respectively, in the preceding twelve months without the Management and the non-independent Directors being present. An <i>in camera</i> session is systematically included as an agenda item at each of the Audit and HR&amp;CG committee meetings.</li> </ul>

<b>CSA DISCLOSURE GUIDELINE</b>	<b>Alignment by ProSep</b>	<b>DESCRIPTION OF ProSep's GOVERNANCE PRACTICES</b>
<p>Disclose whether or not there is an independent Director as Chairman of the Board of Directors or as lead director. If the Board of directors has an independent Director as Chairman of the Board of Directors or as Lead Director, his or her name and a description of his or her role and responsibilities. If the Board of Directors has neither an independent Director as Chairman of the Board or as Lead Director, describe what the Board of Directors does to provide leadership for its independent Directors.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>Anthony Rustin, an independent Director, acts as Chairman of the Board of Directors. The position description of the Chairman of the Board of Directors is set forth at <b>Schedule C</b> of the Management Proxy Circular.</li> </ul>
<p>Disclose the attendance record for each director for all Board of Directors meeting held since the beginning of the issuer's most recently completed financial year.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>See table set forth at page 8 of the Management Proxy Circular which presents the attendance records for each Director for each Board of Directors and Committee meeting held since the beginning of ProSep's most recently completed financial year.</li> </ul>
<p><b>Board of Directors' Mandate</b></p>		
<p>Disclose the text of the Board of Directors' written mandate.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>The mandate of the Board of Directors is set forth in <b>Schedule B</b> of the Management Proxy Circular. The mandate provides that the role of the Board of Directors is to supervise the management of ProSep's business and affairs with the objective of increasing shareholder value.</li> </ul>
<p><b>Position Descriptions</b></p>		
<p>Disclose whether or not the Board of Directors has developed written position descriptions for the Chairman of the Board of</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>The position description for the Chairman of the Board of Directors, the President and Chief Executive Officer and the Chair of each Board of Directors' committee are set forth respectively in <b>Schedules C, D, F and H</b> of</li> </ul>

<b>CSA DISCLOSURE GUIDELINE</b>	<b><i>Alignment by ProSep</i></b>	<b>DESCRIPTION OF ProSep's GOVERNANCE PRACTICES</b>
<p>Directors, the Chair of each Board of Directors' committee and the Chief Executive Officer. If the Board of Directors has not developed written position descriptions for the Chairman of the Board of Directors, the Chair of each Board of Directors' committee and the President and Chief Executive Officer, briefly describe how the Board of Directors delineates the role and responsibilities of each such position.</p>		<p>the Management Proxy Circular.</p>
<p><b>Orientation and Continuing Education</b></p>		
<p>Briefly describe what measures the Board of Directors takes to orient new Directors regarding (i) the role of the Board of Directors, its committees and its directors, and (ii) the nature and operations of ProSep's business.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>As prescribed under its mandate, the HR&amp;CG Committee has the responsibility to develop, monitor and review, as applicable, ProSep's orientation and continuing education programs for Directors. ProSep has adopted board orientation and continuing education programs pursuant to which orientation is provided to new Directors. New Directors are provided with a Director's manual containing corporate and other information required to familiarize each Director with ProSep, its organization and operations. Our orientation programs include presentations by ProSep's officers on ProSep's organizational structure and the nature and operation of its business, a review with the Chairman of the Board of Directors of the methods of operations and of the roles of the Board of Directors and of its committees, a discussion on the contribution individual Directors are expected to make and access to appropriate information or outside resources as required.</li> </ul>
<p>Briefly describe what measures, if any, the Board of Directors takes to provide continuing</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>The Chairman of the Board of Directors takes all reasonable steps to insure that the Directors have access to education and information on an ongoing basis pertaining to</li> </ul>

<b>CSA DISCLOSURE GUIDELINE</b>	<b><i>Alignment by ProSep</i></b>	<b>DESCRIPTION OF ProSep's GOVERNANCE PRACTICES</b>
<p>education for the Directors. If the Board of Directors does not provide continuing education, describe how the Board of Directors ensures that the Directors maintain the skill and knowledge necessary to meet their obligations as Directors.</p>		<p>the Board of Directors' effectiveness and to the best practices associated with successful boards of directors, briefings on factors or emerging trends that may be relevant to ProSep's business strategy and other material as deemed appropriate by the Chairman of the Board of Directors. In addition to attending periodic presentations from outside corporate governance experts, the Directors also receive educational reading materials on corporate governance and other topics.</p>

**Ethical Business Conduct**

Disclose whether or not the Board of Directors has adopted a written code for the Directors, Officers and Employees. If the Board of Directors has adopted a written code:

Disclose how a person or company may obtain a copy of the code;

Yes

- The Code of Conduct and Conflict of Interest Guidelines for Directors, Officers, Employees and Consultants (the "**Code**") applies to each Director, Officer, Employee and Consultant. The Code is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Describe how the Board of Directors monitors compliance with its code or, if the Board of Directors does not monitor compliance, explain whether and how the Board of Directors satisfies itself regarding compliance with its code; and

Yes

- Any Director, Officer, Employee or Consultant who knows of or suspects a breach of the Code must report such fact to the Chairman of the Board of Directors;
- The Chairman of the Board of Directors must ensure that each Director, Officer, Employee or Consultant shall, when joining the Board of Directors or at the time of employment, as the case may be, review, sign and deliver to the Secretary of ProSep a signed copy of the Code; and
- Such departures from the Code as come to the knowledge of the HR&CG Committee are required to be reported to the Board of Directors.

<b>CSA DISCLOSURE GUIDELINE</b>	<b><i>Alignment by ProSep</i></b>	<b>DESCRIPTION OF ProSep's GOVERNANCE PRACTICES</b>
<p>Provide a cross- reference to any material change report filed within the preceding 12 months that pertains to a director or executive officer whose conduct departed from the code.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>• There has not been any instance of departure from the Code within the preceding 12 months.</li> </ul>
<p>Describe any steps the Board of Directors takes to ensure that the Directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>		
<p>Conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>• Each individual, acting as a Director, an Officer, an Employee or a Consultant, must disclose to the HR&amp;CG Committee all interests and relationships of which the Director, the Officer, the Employee or the Consultant is aware at the time of consideration, which will or may give rise to a conflict of interest.</li> <li>• If such an interest or relationship should arise while the individual is a Director, an Officer, an Employee or a Consultant, the individual shall make immediate disclosure of all relevant facts to the Chairman of the Board of Directors.</li> <li>• If the Board of Directors is making decisions that may provide a benefit to a Director's interests, the Director shall withdraw from the deliberations relating to such decisions.</li> <li>• Disclosure may allow for a conflict of interest involving a Director to be appropriately managed. However, a conflict may be so severe as to only be resolved by the Director's resignation from one or both of the conflicting positions. Each Director has agreed that, upon the Board of Directors determining that a potential conflict involving a Director cannot be cured, such Director shall resign from the</li> </ul>

## Second Amendment

CSA DISCLOSURE GUIDELINE	<i>Alignment by ProSep</i>	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
		Board of Directors.
Protection and proper use of corporate assets and opportunities.	Yes	<ul style="list-style-type: none"> <li>The Code prescribes that the Directors, the Officers, the Employees and the Consultants should not make use of ProSep's property or resources for their own personal benefit or purposes.</li> </ul>
Confidentiality of corporate information.	Yes	<ul style="list-style-type: none"> <li>The Code prescribes that each Director, Officer, Employee or Consultant shall comply with ProSep's Confidential Information Policy.</li> </ul>
Compliance with laws, rules and regulations.	Yes	<ul style="list-style-type: none"> <li>The Code prescribes that each Director, Officer, Employee or Consultant must at all times comply fully with applicable law and should avoid any situation which could be perceived as improper, unethical or indicate a casual attitude towards compliance with the law.</li> <li>In addition, the Code prescribes that each Director, Officer, Employee or Consultant is expected to be fully familiar with any legislation that applies to its sphere of activities and shall recognize potential liabilities, seeking legal advice where appropriate.</li> </ul>
Reporting of any illegal or unethical behavior.	Yes	<ul style="list-style-type: none"> <li>Any Director, Officer, Employee or Consultant who knows or suspects a breach of the Code shall report such breach to the Chairman of the Board of Directors.</li> </ul>
Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.	Yes	<ul style="list-style-type: none"> <li>In addition to monitoring compliance with the Code, the Board of Directors has adopted various corporate policies, including a Whistleblowing Policy, which provides a mechanism for employees and non-employees to report unethical or questionable acts by ProSep or any of its employees.</li> <li>The Audit Committee shall review ProSep's process for monitoring compliance with laws and regulations affecting financial reporting. See <b>Schedule E</b> for the full text of the mandate of the Audit Committee.</li> <li>Any waiver from the Code may only be granted by the Board of Directors.</li> </ul>

CSA DISCLOSURE GUIDELINE	<i>Alignment by ProSep</i>	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
<b>Nomination of Directors</b>		
Describe the process by which the Board of Directors identifies new candidates for nomination to the Board of Directors.		<ul style="list-style-type: none"> <li>The first step of the process for the selection of new Directors consists in understanding the needs of ProSep in terms of competencies, experiences and knowledge given its mission, strategies, business models and objectives.</li> <li>The second step of the process for the selection of new Directors consists in evaluating the current group of Directors relatively to the above-stated requirements. Such evaluation is carried out notably through self evaluation and evaluation by peers.</li> <li>The third step of the process for the selection of new Directors consists in considering, if necessary, additional Board member(s) to fill any gap between the needs of ProSep and the current availability of competencies, experiences and knowledge.</li> </ul>
Disclose whether or not the Board of Directors has a nominating committee composed entirely of independent Directors. If the Board of Directors does not have a nominating committee composed entirely of independent Directors, describe what steps the Board of Directors takes to encourage an objective nomination process.	Yes	<ul style="list-style-type: none"> <li>The HR&amp;CG Committee is comprised of three Directors, each of whom qualifies as an independent director, as such term is defined under s.1.2 of the Disclosure Instrument and ss.1.4 and 1.5 of the Audit Committee Rules.</li> </ul>
If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	Yes	<ul style="list-style-type: none"> <li>The responsibilities of the HR&amp;CG include the monitoring of the composition and performance of the Board of Directors and of its committees and the oversight of corporate governance matters. The responsibilities, powers and operations of the HR&amp;CG Committee are further described in the mandate of such committee enclosed herewith at <b>Schedule G</b>.</li> </ul>

Second Amendment

CSA DISCLOSURE GUIDELINE	<i>Alignment by ProSep</i>	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
		<ul style="list-style-type: none"> <li>The HR&amp;CG Committee shall examine whether each new nominee can devote sufficient time and resources to his or her duties as a Director.</li> </ul>

**Compensation**

Describe the process by which the Board of Directors determines the compensation for the Directors and Officers.	Yes	<ul style="list-style-type: none"> <li>The HR&amp;CG Committee annually reviews and makes recommendations to the Board of Directors on the adequacy and form of the compensation for non-executive Directors to ensure that this compensation realistically reflects the responsibilities and risk involved, without compromising such Directors' independence. A Director who is an executive of ProSep receives no additional compensation for his services as Director. See the Section entitled "Directors' Compensation" of this Management Proxy Circular for additional information on the compensation received by the Directors. The HR&amp;CG Committee reviews and approves the corporate goals and objectives relevant to the President and Chief Executive Officer, evaluates the President and Chief Executive Officer's performance based on those goals and objectives and such other factors as the HR&amp;CG Committee deems appropriate and in the best interest of ProSep, and makes a recommendation in respect of the President and Chief Executive Officer's compensation based on this evaluation, for approval by the Board of Directors. It also reviews the evaluation of senior executives' performance and recommends to the Board of Directors senior executives' compensation. See the section entitled "Executive Compensation" of this Management Proxy Circular for additional information.</li> </ul>
Disclose whether or not the Board of Directors has a compensation committee comprised entirely of independent Directors. If the Board of Directors does not have a compensation	Yes	<ul style="list-style-type: none"> <li>The HR&amp;CG Committee is composed of three members: (i) the Chair, Richard Lint; (ii) Anthony Rustin; and (iii) Paul Coppinger. Each member of the HR&amp;CG Committee qualifies as an independent Director, as such term is defined under s. 1.2 of the Disclosure Instrument and ss. 1.4 and 1.5 of the Audit</li> </ul>

CSA DISCLOSURE GUIDELINE	<i>Alignment by ProSep</i>	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
<p>committee composed entirely of independent directors, describe what steps the Board of Directors takes to encourage an objective process for determining compensation.</p>		<p>Committee Rules.</p>
<p>If the Board of Directors has a compensation committee, a description of the responsibilities, powers and operations of the compensation committee.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>The HR&amp;CG Committee is responsible for monitoring senior executives' performance assessment, succession planning and compensation. It also reviews human resources practices. The responsibilities, powers and operations of the HR&amp;CG Committee are further described in the mandate of such committee enclosed herewith at <b>Schedule G</b>.</li> </ul>
<p>If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any Director or Officer, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>In setting the applicable compensation package of the Directors and Officers, the Board of Directors received advice from an independent compensation consultant. Over the course of the 2008 fiscal year, Perrault Consulting Inc. was retained by the HR&amp;CG Committee to advise on the parameters to be used by the Board of Directors for purposes of establishing senior executives' compensation level.</li> </ul>

CSA DISCLOSURE GUIDELINE	<i>Alignment by ProSep</i>	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
<b>Other Board of Directors Committees</b>		
If the Board of Directors has standing committees other than the Audit and HR&CG Committees, identify the committees and describe their function.	Yes	From time to time, the Board of Directors may create an <i>ad hoc</i> committee to address a special mandate established by the Board of Directors.
<b>Assessment</b>		
Disclose whether or not the Board of Directors, its committees and the individual Directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board of Directors satisfies itself that the Board of Directors, its committees and its individual Directors are performing effectively.	Yes	<ul style="list-style-type: none"> <li>The Chairman of the Board of Directors, in conjunction with the HR&amp;CG Committee, request, on an annual basis, that each Director complete a survey to evaluate each Director's contribution and to comment on the overall effectiveness of the Board of Directors and of its committees. Suggestions for improvement are discussed and, where appropriate, changes are implemented.</li> </ul>

## **SCHEDULE B**

### **MANDATE OF THE BOARD OF DIRECTORS**

The fundamental responsibility of the Board of Directors is to oversee the management of the business, with a view to delivering consistent and growing shareholder returns and ensuring that the business of ProSep is conducted in an ethical and legal manner via an appropriate system of corporate governance.

In addition to discharging such other duties as may be required in the good stewardship of ProSep, the Board of Directors assumes, directly or through one of its committees, the responsibility for:

#### **1. Executive / Senior Management**

- 1.1 Selecting, appointing, evaluating and (if necessary) terminating the President and Chief Executive Officer. The Board of Directors shall also, along with the President and Chief Executive Officer, set forth a clear position description for the President and Chief Executive Officer, which includes defining management's responsibilities. Additionally, the Board shall approve the corporate goals and objectives that the President and Chief Executive Officer is responsible for meeting.
- 1.2 Ensuring, to the extent feasible, that the President and Chief Executive Officer and other senior officers maintain a culture of integrity throughout ProSep.
- 1.3 Monitoring the development and implementation of programs for management succession, including appointing, training and monitoring the performance of senior management.
- 1.4 Reviewing and approving the compensation of the senior management team and the remuneration of the Board of Directors and ensuring that such compensation is competitive, measured according to appropriate industry benchmarks and reward contribution to shareholder value and tied to both the short and longer-term performance of ProSep.

#### **2. Business Strategy / Plans / Budgets**

- 2.1 Adopting a strategic planning process, participating in the process and approving the strategic plans and priorities identified by senior management and thereafter annually reviewing the strategic plan and budget in light of the risks and business opportunities of ProSep, as well as, monitoring management's performance and execution of such plans.
- 2.2 Approving annual capital and operating plans and monitoring performance against those plans.
- 2.3 Continuously reviewing whether specific and relevant corporate measurements are developed and whether adequate controls and information systems are in place with regard to business performance.

- 2.4 Monitoring safety and environmental programs.
  - 2.5 Approving all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business.
  - 2.6 Approving major acquisitions and dispositions, as well as, reviewing alternate strategies in response to any possible takeover bid in order to maximize value for shareholders.
3. **Finance**
- 3.1 Approving any issuance of securities by ProSep or any dividend distributions to the Shareholders.
4. **Audit / Risk Management**
- 4.1 Ensure the quality and integrity of ProSep's accounting and financial reporting systems and internal control procedures.
  - 4.2 Identifying and reviewing the principal risks of ProSep's business, policies and processes to ensure that appropriate systems and measures are in place to manage such risks.
  - 4.3 Recommending the appointment of the external auditors to the Shareholders at their annual meeting.
  - 4.4 Approving external auditor scope of work and fees for annual audits and the scope of work and fees of any non-audit related projects or engagements.
  - 4.5 Approving the quarterly and full year financial statements, the quarterly and full year Management's Discussions and Analyses and the related news releases.
5. **Corporate Governance**
- 5.1 Establishing an effective process of corporate governance consistent with the applicable regulatory requirements.
  - 5.2 Reviewing annually the mandate of the Board of Directors and of the committees of the Board of Directors, as well as the position description of the Chairman of the Board of Directors and of each Chair of the committees of the Board of Directors.
  - 5.3 Establishing an appropriate formal orientation program for new Directors and an ongoing continuing education program allowing directors to be briefed on ongoing legal and financial developments and on industry and business practice changes.
  - 5.4 Assessing the contribution of the Board of Directors, the committees of the Board of Directors and all Directors annually.

## Second Amendment

- 5.5 Monitoring the practices of management against ProSep's disclosure policy to ensure an appropriate and timely communication to shareholders of material information concerning ProSep.
- 5.6 Approving the nominees as Directors for election to the Board of Directors at the annual meeting of Shareholders.
- 5.7 Ensuring that the competencies of the Directors complement one another.
- 5.8 Ensuring that appropriate matters come before the Board of Directors in a timely and effective manner and that the Board of Directors is well kept informed of Shareholder feedback.
- 5.9 Periodically approving and reviewing ProSep's policies developed by management on various management-related issues.
- 5.10 Monitoring compliance with the Code of Conduct and Conflict of Interest Guidelines for Directors, Officers, Employees and Consultants.

**SCHEDULE C**

**POSITION DESCRIPTION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS**

The Chairman of the Board of Directors has the responsibility for:

1. Providing leadership to the Board of Directors.
2. Overseeing its effectiveness and ensuring that it meets its obligations and responsibilities.
3. Monitoring and co-coordinating the functions of the Board of Directors with Management to effectively maintain the separation of roles and responsibilities.
4. Providing advice and counsel to the President and Chief Executive Officer respecting matters within the purview of the Board of Directors.
5. Chairing all Board of Directors and Shareholder meetings.
6. Preparing, in consultation with the President and Chief Executive Officer, the agendas for all Board of Directors and Shareholder meetings.
7. Ensuring that adequate advance information is distributed to the Directors and that the Board of Directors receives regular updates on all issues important to the affairs of ProSep.
8. Conferring with the HR&CG Committee on candidates for Board of Directors membership and the selection of candidates to be submitted to the Board of Directors for approval.
9. In consultation with the HR&CG Committee, preparing for Board of Director approval the organization and procedures of the Board of Directors, including the structure and membership of Board of Director committees.
10. Counseling collectively and individually with members of the Board of Directors and each Board of Director committee to ensure full utilization of individual capacities and optimum performance of the Board of Directors and each of its committees.
11. In collaboration with the President and Chief Executive Officer, reviewing progress made by Management in executing Board of Directors' decisions and plans in conformity with the Board of Directors' view of ProSep's policies.
12. Being available to provide counsel to the President and Chief Executive Officer on major policy issues such as acquisitions, divestitures and financial structure.
13. Co-coordinating the annual performance review of the President and Chief Executive Officer, in consultation with the HR&CG Committee.
14. Coordinating annual evaluation of the functioning of the Board of Directors and of the contribution of the Board of Directors, the committees of the Board of Directors and of the Directors individually.

## Second Amendment

15. At the request of the President and Chief Executive Officer, participating in external activities involving the representation of ProSep to its major stakeholders, including the Shareholders, the financial community, governments and the public.
16. At the request of the Board of Directors, undertaking specific assignments for the Board of Directors.

## SCHEDULE D

### POSITION DESCRIPTION OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and Chief Executive Officer has the responsibility for:

1. Building shareholder value.
2. Acting in a manner leading ProSep to accomplish its mission and vision.
3. Subject to Board of Directors' approval, developing and reviewing a strategic plan designed to achieve consistent financial performance and to deliver growing Shareholder returns.
4. Directing the business and affairs of ProSep by deploying the strategic plan through specific short-term and long-term objectives as well as operating plans/budgets as approved by the Board of Directors.
5. Providing the overall strategic direction to the Management team in order to achieve expected results.
6. Exploring opportunities for ProSep's growth, either through investment and/or acquisitions, as well as dispositions of unproductive or non-strategic assets.
7. Ensuring that a carefully designed organization is in place and that the support provided by such organization is consistent with the strategy and objectives of ProSep.
8. Reviewing and recommending the employment or termination of all senior management personnel for Board of Directors' approval.
9. Ensuring appropriate plans are in place for the recruitment, training, development and retention of personnel within ProSep to provide future management of ProSep.
10. Evaluating the performance of senior Management.
11. Subject to Board of Directors' approval, developing the various R&D programs consistent with the strategy of ProSep.
12. Sourcing the expertise and leadership in the technical fields, the license and patent know-how as well as subsidy programs and governmental supports associated with ProSep's typical R&D efforts.
13. Ensuring that ProSep has in place proper guidelines to provide for efficient, safe and long-term operations with focus on product quality and ensuring that sufficient resources are made available to enact or exceed such guidelines.
14. Analyzing the operating results of the organization and its principal components and ensuring appropriate steps are taken to address significant / material areas of concern affecting ProSep's balance sheet, assets, operating results, liabilities or risks of the business.

## Second Amendment

15. Prescribing authority limits of subordinates regarding policies, contractual commitments, expenditures and personnel action.
16. Ensuring that the Board of Directors receives sufficient, timely information on all material aspects of ProSep's operations.
17. Ensuring that ProSep follows all current rules for regulatory compliance and disclosure.
18. Acting as a member of the Board of Directors.
19. Identifying business risks and outlining plans to manage or mitigate such risks (including insurance programs).
20. Ensuring that the appropriate information and disclosure are being provided to the Shareholders.
21. Ensuring adherence to ProSep's Disclosure Policy approved by the Board of Directors.
22. Building the corporate profile with the public and investor communities including with the analysts following ProSep.
23. Maintaining contact with other industry participants and government officials at senior levels.

## **SCHEDULE E**

### **MANDATE OF THE AUDIT COMMITTEE**

#### **Overall Purpose/Objective**

The Audit Committee is appointed by the Board of Directors to assist the Board of Directors in discharging its oversight responsibilities. The Audit Committee oversees the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Audit Committee also reviews: (i) the effectiveness of ProSep's internal financial control and risk management system; (ii) the independent audit process, including recommending the appointment and assessing the performance of the external auditors; (iii) ProSep's process for monitoring compliance with laws and regulations affecting financial reporting; and (iv) if applicable, ProSep's process for monitoring compliance with ProSep's code of business conduct.

In performing its duties, the Audit Committee maintains effective working relationships with the Board of Directors, Management and the external auditors. To perform his or her role effectively, each Audit Committee member needs to develop and maintain his or her skills and knowledge, including an understanding of the Audit Committee's responsibilities and of ProSep's business operations and risks.

#### **Authority**

The Audit Committee has the responsibility for:

- Performing activities within the scope of its mandate.
- Engaging independent counsel and other advisors when deemed necessary to carry out its duties.
- Ensuring the attendance of the Officers at meetings of the Audit Committee, as appropriate.
- Requesting and gaining access to members of Management, employees and relevant information.
- Establishing confidential and anonymous procedures for dealing with concerns of employees, and the receipt of complaints, regarding accounting, internal control or auditing matters.
- Recommending for approval by the Board of Directors the appointment, compensation, retention and annual scope of work of the external auditors.
- Approving all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditors and, if required, the pre-approval of such non-audit work.

## **Organization**

### ***Membership***

The Board of Directors shall nominate the Audit Committee members and the Chair of the Audit Committee. In the absence of the Chair, a member of the Audit Committee can act in the capacity of the Chair provided the quorum is maintained.

The Audit Committee shall be comprised of at least three members and not more than five members. All members shall be independent Directors. Any member of the Audit Committee may be removed or replaced at any time by the Board of Directors. Any member shall cease to be a member of the Audit Committee upon ceasing to be a Director.

Members of the Audit Committee should attend every meetings of such committee. A quorum at any meeting of the Audit Committee shall consist of two members present by phone or in person.

Each Audit Committee member shall have skills and experience commensurate with the discharge of the duties and responsibilities associated with such function.

Each member shall be financially literate and at least one member shall have accounting or related financial expertise.

Audit Committee members shall be appointed for a one-year term of office.

The secretary of the Audit Committee shall be the meeting secretary, or such other person as nominated by the Board of Directors.

The Audit Committee shall invite the President and Chief Executive Officer and the Chief Financial Officer and Secretary and, as necessary, any other person, except during an *in camera* period where only the Audit Committee members are entitled to attend. The Chair of the Audit Committee shall have the right to determine who shall or shall not be present at any time during a meeting of the Audit Committee.

The external auditors should be invited to make presentations to the Audit Committee, as appropriate.

### ***Meetings***

Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by other electronic means to each member of the Audit Committee at least 48 hours prior to the time fixed for such meeting. A member may in any manner waive notice of the Audit Committee meeting. Attendance of a member at an Audit Committee meeting shall constitute waiver of notice.

Meetings shall be held not less than four times a year and should correspond with ProSep's financial reporting cycle. Teleconferences, although not the preferred meeting method, are acceptable.

Special meetings may be convened as required by the Audit Committee, Management or the external auditors.

The secretary of the Audit Committee shall circulate the agenda and supporting documentation to the Audit Committee members a reasonable period in advance of each meeting.

The secretary of the Audit Committee shall circulate the minutes of meetings to members of the Board of Directors and, where appropriate, to the external auditors, after approval of such minutes by the Chair of the Audit Committee.

As a minimum, the Chair of the Audit Committee (or another member of the Audit Committee) shall attend the Board of Director meeting at which the financial statements are approved.

The Audit Committee may call a meeting with outside legal counsel if it is deemed necessary.

The Audit Committee will meet with the external auditors at least once a year without Management present.

## **Roles and Responsibilities**

The Audit Committee shall:

### ***Internal Control***

Understand the overall internal controls implemented by Management.

Require from Management that they implement a process to identify major risks relating to ProSep (including in relation to the insurance portfolio, the currency position, any pending and threatened litigation, any contingent liabilities and to the adequacy of provisions of ProSep's accounts) and that they take all necessary measures to manage such risks.

Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management and the external auditors and consider whether recommendations made by the external auditors have been implemented by Management.

Receive periodical Management reports assessing the adequacy and effectiveness of ProSep's disclosure controls and procedures and systems of internal controls.

Review ProSep's risk assessment and risk management policies, including its insurance coverage.

Review the periodic treasury report from the Chief Financial Officer.

### ***Financial Reporting***

Monitor the quality and integrity of ProSep's accounting and financial reporting process through discussions with Management, the external auditors and the internal auditors.

Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.

Oversee the periodic new and modified financial reporting process implemented by Management and review the interim financial statements, annual financial statements, Management's Discussions and Analyses and press releases prior to their public dissemination.

Review any analysis or other written communications prepared by Management, the internal auditors or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the application of generally accepted accounting principles methods.

Ensure that adequate procedures are in place for review of ProSep's public disclosure of financial information extracted or derived from ProSep's financial statements (other than 0 above) and periodically assess the adequacy of such procedures.

Review Management's process for ensuring that information contained in analyst briefings and press announcements is consistent with published financial information.

Meet with Management and the external auditors to review the financial statements, the key accounting policies and estimates, and the results of the audit.

Ensure that significant adjustments, unadjusted differences, disagreements with Management and critical accounting policies and practices are discussed with the external auditors.

Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of ProSep and the appropriateness of the disclosure thereof in the documents reviewed by the Audit Committee.

### ***Compliance with Laws and Regulations***

Review the effectiveness of the system for monitoring compliance with laws and regulations.

Obtain regular updates from Management regarding compliance matters that may have a material impact on ProSep's financial statements.

Annually review and confirm with management that all regulatory compliance matters related to ProSep's business have been considered by Management in the preparation of the financial statements.

Review the findings of material reports by regulatory agencies.

### ***Working with Auditors***

Review the professional qualification of the auditors (including background and experience of the responsible partner and the assigned auditing personnel).

Consider the independence of the external auditors and any potential conflicts of interest.

Review the performance of the external auditors on an annual basis and make recommendations to the Board of Directors for (i) the appointment, reappointment or termination of the appointment of the external auditors and (ii) the compensation of the external auditors, with a view to ensuring that the nature of such compensation do not jeopardize the independence of the auditor.

Review the external auditors' proposed audit scope of work and approach for the current year in light of ProSep's current circumstance and changes in regulatory and other requirements.

Discuss with the external auditors any audit problems encountered in the normal course of audit work, notably in respect of any restriction on audit scope or access to information, and review management's response and/or action plan.

Ensure that significant findings and recommendations made by the external auditors and Management's proposed response are received, discussed and appropriately acted upon.

Discuss with the external auditors the appropriateness of the accounting policies applied in ProSep's financial reports including (i) all critical accounting policies and practices used, (ii) any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the treatment preferred by the external auditors, and (iii) any other material written communications between ProSep and the external auditors.

Meet separately with the external auditors to discuss any matters that the Audit Committee or auditors believe should be discussed privately and ensure that the auditors have access to the Chair of the Audit Committee when required.

Review policies for the provision of non-audit services by the external auditors and, if required, the pre-approval of such non-audit work.

Ensure ProSep follows regulations for hiring firm personnel for senior positions after they have left the audit firm.

Review Management's proposed internal control plan for the coming year and ensure that there is appropriate coordination with the external auditors.

### ***Reporting Responsibilities***

At the first subsequent meeting of the Board of Directors and at such other times as required, update the Board of Directors on all activities of the Audit Committee and make appropriate recommendations in such a manner as required by the

Board of Directors or as the Audit Committee in its discretion may consider advisable.

Ensure the Board of Directors is aware of matters that may significantly impact on the financial condition or affairs of the business.

Prepare any reports required by regulations on the Audit Committee's mandate and activities to be included in the section on corporate governance in the Management Proxy Circular.

***Evaluating Performance***

Evaluate the Audit Committee's own performance on the basis of its mandate, both from the standpoint of the individual members and collectively as a committee, on an annual basis and report the findings to the Board of Directors.

***Review of the Committee Mandate***

Review the Audit Committee mandate annually and discuss any required changes first with the HR&CG Committee and with the Board of Directors.

Ensure that the mandate is approved or re-approved by the Board of Directors.

In the performance of its duties and responsibilities, the Audit Committee shall have access to any and all books and records of ProSep as necessary for the execution of the Audit Committee's obligations and may discuss with the officers and the external auditors of ProSep such accounts, records, documents and other matters considered appropriate.

No alteration of the roles and responsibilities of the Audit Committee shall be effective without the approval of the Board of Directors.

## **SCHEDULE F**

### **POSITION DESCRIPTION OF THE CHAIR OF THE AUDIT COMMITTEE**

The Chair of the Audit Committee has the responsibility for:

1. Ensuring that the Audit Committee functions properly, that it meets its obligations and responsibilities, that the Audit Committee fulfills its mandate and that its organization and mechanisms are in place and are working effectively.
2. Providing leadership to the Audit Committee with respect to its functions as described in the Audit Committee's written mandate and as otherwise may be appropriate, including overseeing the logistics of the operations of the Audit Committee.
3. Calling and chairing meetings of the Audit Committee.
4. Ensuring that the Audit Committee meets on a regular basis and at least quarterly.
5. In consultation with the Chairman of the Board of Directors and the Audit Committee members, establishing a calendar for holding meetings of and set the agendas for the meetings of the Audit Committee.
6. In collaboration with the Chairman of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer and Secretary, ensuring that agenda items for all Audit Committee meetings are ready for presentation and that adequate information is distributed to Audit Committee members in advance of such meetings in order that the Audit Committee members may properly inform themselves on matters to be acted upon.
7. Assigning work to Audit Committee members.
8. Acting as liaison and maintaining communication with the Chairman of the Board of Directors and the Board of Directors to optimize and co-ordinate input from Directors, and to optimize the effectiveness of the Audit Committee, including reporting to the full Board of Directors on all proceedings and deliberations of the Audit Committee at the first meeting of the Board of Directors after each Audit Committee meeting and at such other times and in such manner as the Board of Directors may require or as the Audit Committee considers advisable.
9. Ensuring that the Audit Committee receives adequate and regular updates from Management on all issues relating to audits, financial statements, Management's Discussions and Analysis, annual and interim financial statements, press releases, procedures for disclosure of financial information and disclosure controls.
10. Meeting separately as required with Management to optimize its liaison function and to ensure efficient communication between Management and the Audit Committee.
11. Meeting separately as required with the external auditors to ensure that the Audit Committee has the information required to perform its role of oversight in line with its mandate.

12. Reporting annually to the Board of Directors on the role of the Chair and the effectiveness of the Chair role in contributing to the objectives and responsibilities of the Audit Committee as a whole.
13. Reporting annually to the Board of Directors on the role of the Audit Committee and the effectiveness of the Audit Committee role in contributing to the objectives and responsibilities of the Board of Directors as a whole.

## **SCHEDULE G**

### **MANDATE OF THE HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE**

#### **1. Overall Purpose/Objective**

The Human Resources and Corporate Governance ("HR&CG") Committee, composed entirely of independent Directors, is appointed by the Board of Directors to assist the Board of Directors in carrying out its responsibility for the stewardship of ProSep as well as in meeting its disclosure and continued listing requirements. The HR&CG Committee shall examine the nomination of Directors and appointment of senior managers of ProSep as well as their overall compensation and make appropriate recommendations to the Board of Directors. It shall also lead in the development and review of a succession plan. The HR&CG Committee also has the general responsibility for developing ProSep's approach to governance issues and recommending effective corporate governance processes to the Board of Directors consistent with the applicable regulatory requirements.

In making its recommendations, the HR&CG Committee shall consider the needs of ProSep in terms of competencies, experiences and knowledge given the Board of Directors' mission, strategies, business models and objectives. The HR&CG Committee shall evaluate the current group of Directors relatively to such requirements and consider the competencies and skills that each nominee brings to the Board of Directors. The HR&CG Committee shall also examine whether each nominee can devote sufficient time and resources to his or her duties as a member of the Board of Directors.

In performing its duties, the HR&CG Committee shall maintain effective working relationships with the Board of Directors, Management and other committees of the Board of Directors. To perform his or her role effectively, each HR&CG Committee member shall develop and maintain his or her skills and knowledge, including an understanding of the HR&CG Committee's responsibilities and of ProSep's business operations and risks.

#### **Authority**

The HR&CG Committee has the responsibility for:

Performing activities within the scope of its mandate.

Engaging independent counsel and other advisors when deemed necessary to carry out its duties.

Ensuring the attendance of the Officers at HR&CG Committee meetings, as appropriate.

Requesting and gaining access to the Officers and Employees and to any relevant information.

Selecting, retaining and terminating a compensation consultant to assist in the evaluation of the President and Chief Executive Officer or other senior Officers and approving any compensation payable by ProSep to such consultant, including the fees, terms and other conditions for the delivery of such services.

Examining ProSep's wage and compensation policies and making recommendations to the Board of Directors regarding the adoption of such policies as well as any modifications deemed necessary or required as a result of any new laws or regulations.

Examining, evaluating and, if required, reviewing ProSep's Stock Option Plan and making recommendations to the Board of Directors regarding any modifications deemed necessary.

## **Organization**

### ***Membership***

The Board of Directors shall nominate the HR&CG Committee members and the chair of the HR&CG Committee. In the absence of the Chair, a member of the HR&CG Committee can act in the capacity of the Chair provided the quorum is maintained.

The HR&CG Committee shall be comprised of not less than three nor more than five members. All members shall be independent Directors. Any member of the HR&CG Committee may be removed or replaced at any time by the Board of Directors. Any member shall cease to be a member of the HR&CG Committee upon ceasing to be a Director.

Members of the HR&CG Committee should attend every meetings of such Committee. A quorum of any meeting shall consist of two HR&CG Committee members present by phone or in person.

Each HR&CG Committee member shall have skills and experience commensurate with the discharge of the duties and responsibilities associated with such function.

HR&CG Committee members shall be appointed for a one-year term of office.

The secretary of the HR&CG Committee shall be the meeting secretary, or such other person as nominated by the Board of Directors.

The HR&CG Committee shall invite the President and Chief Executive Officer, the Chairman of the Board of Directors and, as necessary, any other resource person except during an *in camera* session where only the HR&CG Committee members are entitled to attend. The Chair of the HR&CG Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the HR&CG Committee.

### ***Meetings***

Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by other electronic means to each member of the HR&CG Committee at least 48 hours prior to the time fixed for such meeting. A member may in any manner waive notice of the HR&CG Committee meeting. Attendance of a member at an HR&CG Committee meeting shall constitute waiver of notice.

Meetings shall be held not less than twice a year at the call of the Chair of the HR&CG Committee. Teleconferences, although not the preferred meeting method, are acceptable.

Special meetings may be called by the secretary of the HR&CG Committee on the direction of the President and Chief Executive Officer and one HR&CG Committee member or any two HR&CG Committee members.

The secretary of the HR&CG Committee shall circulate the agenda and supporting documentation to the HR&CG Committee members a reasonable period in advance of each meeting.

The secretary of the HR&CG Committee shall circulate the minutes of meetings to members of the Board of Directors after approval of such minutes by the Chair of the HR&CG Committee.

As a minimum, the Chair of the HR&CG Committee (or another member of the HR&CG Committee) shall attend the Board of Directors meeting at which a HR&CG Committee report is tabled.

The HR&CG Committee may call a meeting with outside legal counsel if it is deemed necessary.

## **Roles and Responsibilities**

The HR&CG Committee shall:

### ***Human resources***

Review the human resource policies and the organization of ProSep, including employment, compensation, training and development.

Review and approve corporate goals and objectives relevant to the compensation of the President and Chief Executive Officer, evaluate the performance of the President and Chief Executive Officer in light of those goals and objectives, report the results of such an evaluation to the Board of Directors and set the President and Chief Executive Officer's compensation level based on this evaluation.

Approve the engagement and termination, and the promotion and compensation of senior Management reporting directly to the President and Chief Executive Officer and appointment of all Officers, except for the President and Chief Executive Officer for whom the HR&CG Committee shall make recommendations to the Board of Directors for its approval.

Review, once a year or as needed, the human resource and succession planning for the President and Chief Executive Officer.

Oversee ProSep's regulatory compliance with respect to compensation matters.

Approve, if and to the extent required by applicable rules and regulations of any securities regulator or stock exchange, a report regarding executive

compensation for inclusion in ProSep's annual proxy circular or other public disclosure document.

Review and recommend to the Board of Directors the granting of options under any Option or Long-Term Incentive Plans.

Annually review all aspects of remuneration received by the members of the Board of Directors.

Review executive compensation disclosure before ProSep publicly discloses such information.

### ***Corporate governance***

Annually review Board of Directors processes and recommend changes to the Board of Directors where appropriate. This includes, but should not be limited to, reviewing the following:

- (a) The strategic direction processes of the Board of Directors;
- (b) The processes for monitoring performance of the Board of Directors;
- (c) Adequate number and duration of Board of Director meetings;
- (d) The appropriateness of the annual schedule for regular agenda items for Board of Director meetings; and
- (e) The appropriateness of the information provided to Directors both before and during Board of Director meetings.

Ensure that all Directors receive the orientation and ongoing training necessary to effectively carry out their responsibilities, notably to allow Directors to be briefed on ongoing legal and financial developments and on industry and business practice changes.

Review and approve the annual regulatory disclosure of ProSep's corporate governance practices, as required.

To the extent such material departure from the Code of Conduct and Conflict of Interest for Directors are communicated to the HR&CG Committee, report to the Board of Directors any material departures from the Code of Conduct and Conflict of Interest for Directors, Officers, Employees and Consultants.

### ***Board of Directors and Committee Structure and Appointments***

Annually review the scope, duties and responsibilities of: (i) the Board of Directors and its members; (ii) the Chairman of the Board of Directors; (iii) the Board of Directors' committees and their members; (iv) the Chair of the Board of Director committees; and (v) the President and Chief Executive Officer; and recommend any changes where advisable.

Recommend the establishment or disbanding of the Board of the Directors committees.

Recommend the appointment of the Board of Directors members, committee members and committee chairs.

Recommend candidates to fill Board of Director, committee and committee chair vacancies.

Recommend candidates for appointment to the office of Chairman of the Board of Directors.

Maintain an ongoing succession plan for Board of Directors members that take into consideration the desired composition of the Board of Directors, the strengths, skills and experience of current directors, expected retirement dates, the strategic direction of the organization and the financial market's need for strong independent representation.

Develop and maintain a process and criteria for identifying, recruiting and appointing new Directors.

Recommend to the Board of Directors nominees for election to the Board of Directors at the annual meeting of Shareholders.

Advise the Board of Directors when an issue of conflict or potential conflict arises which may result in the tendering of a resignation by a Director.

#### ***Board of Directors Member Effectiveness***

Establish a process to review and monitor the effectiveness of the Board of Directors as a whole, and individual Board of Directors members and make recommendations to the Board of Directors to enhance the development of corporate governance.

#### ***Reporting Responsibilities***

At each regular meeting, update the Board of Directors about HR&CG Committee activities and make appropriate recommendations.

Ensure the Board of Directors is aware of matters that may significantly impact on the affairs of ProSep.

#### ***Evaluating Performance***

Evaluate the HR&CG Committee's own performance on the basis of its mandate, both from the standpoint of the individual members and collectively as a committee, on an annual basis and report the findings to the Board of Directors.

#### ***Review of the Committee Mandate***

Review the HR&CG Committee mandate annually.

Ensure that the mandate is approved or re-approved by the Board of Directors.

***Other***

Review and make recommendations on functional and operational matters relating to the Board of Directors, such as the requirement for Board of Directors to hold meetings without Management present.

Monitor the quality of the relationship between Management and the Board of Directors and recommend improvements deemed necessary or advisable.

Generally, discuss recommendations with the President and Chief Executive Officer before making such recommendations to the Board of Directors.

After consulting with the Chairman of the Board of Directors, consider and approve, in advance and if considered appropriate, reasonable requests from individual Directors to engage outside advisors in accordance with the organization's policy on the use of outside advisors.

Annually review directors' and officers' third party liability insurance coverage.

Exercise such other powers and perform such other duties and responsibilities as are incident to the purposes, duties and responsibilities of the HR&CG Committee specified herein or as may from time to time be delegated by the Board of Directors.

No alteration of the roles and responsibilities of the HR&CG Committee shall be effective without the approval of the Board of Directors.

## SCHEDULE H

### POSITION DESCRIPTION OF THE CHAIR OF THE HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

The Chair of the HR&CG Committee has the responsibility for:

1. Ensuring that the HR&CG Committee functions properly, that it meets its obligations and responsibilities, that the HR&CG Committee fulfills its mandate and that its organization and mechanisms are in place and are working effectively.
2. Providing leadership to the HR&CG Committee with respect to its functions as described in the HR&CG Committee's written mandate and as otherwise may be appropriate, including overseeing the logistics of the operations of the HR&CG Committee.
3. Calling and chairing meetings of the HR&CG Committee.
4. Ensuring that the HR&CG Committee meets on a regular basis and not less than twice a year.
5. In consultation with the Chairman of the Board of Directors and the HR&CG Committee members, establishing a calendar for holding meetings and setting the agendas for the meetings of the HR&CG Committee.
6. In collaboration with the Chairman of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer and Secretary, ensuring that agenda items for all HR&CG Committee meetings are ready for presentation and that adequate information is distributed to HR&CG Committee members in advance of such meetings in order that HR&CG Committee members may properly inform themselves on matters to be acted upon.
7. Assigning work to HR&CG Committee members.
8. Acting as liaison and maintaining communication with the Chairman of the Board of Directors and the Board of Directors to optimize and co-ordinate input from Directors, and to optimize the effectiveness of the HR&CG Committee, including reporting to the full Board of Directors on all proceedings and deliberations of the HR&CG Committee at the first meeting of the Board of Directors after each HR&CG Committee meeting and at such other times and in such manner as the Board of Directors may require or as the HR&CG Committee considers advisable.
9. Ensuring that the Board of Directors receives adequate and regular updates from the President and Chief Executive Officer and from the HR&CG Committee on all matters relating to human resources management and corporate governance.
10. Meeting separately with Management to optimize its liaison function and to ensure efficient communication between Management and the HR&CG Committee.
11. Reporting annually to the Board of Directors on the role of the Chair and the effectiveness of the Chair role in contributing to the objectives and responsibilities of the HR&CG Committee as a whole.
12. Reporting annually to the Board of Directors on the role of the HR&CG Committee and the effectiveness of the HR&CG Committee role in contributing to the objectives and responsibilities of the Board of Directors as a whole.