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PROSEP Announces Filing of Final Prospectus for Rights Offering

To raise a maximum of \$10,000,000 with a minimum commitment of \$4,900,000
from a group of debenture holders, shareholders, directors and executive officers

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MONTREAL, QUÉBEC – July 14, 2009 - ProSep Inc. (TSX: PRP) ("ProSep" or the "Company"), dedicated to providing process solutions to the oil and gas industry, today announced the filing of a final short form prospectus with securities regulators for the provinces of Québec, Ontario, Alberta and British Columbia in connection with the previously announced rights offering.

ProSep intends to raise a maximum of \$10,000,000 in gross proceeds by issuing to shareholders (that are residents of Canada and eligible shareholders in other jurisdictions (the "Eligible Holders")) of record on July 24, 2009 (the "Record Date"), one right ("Right") for each common share of ProSep (the "Common Share") held. The Rights will entitle Eligible Holders to subscribe for and purchase from the Company an aggregate of approximately 76,923,077 Common Shares (assuming full subscription). 1.6223 Rights entitle the holder to subscribe for one Common Share at the subscription price of \$0.13 on or before 4:00 p.m. (local time at place of exercise in Canada) on August 20, 2009, (the "Expiration Date"). Assuming full subscription, the approximate net proceeds are estimated to be \$9,694,000 and will be used for (i) funding lines of credit necessary to ensure proper investment in working capital; (ii) for issuing performance bonds to customers; and (iii) a small portion (less than \$500,000) will be used for capital expenditures mainly in small equipment for the Houston plant and some demonstration pilot units of our proprietary products within the next two years. Moreover, the lower debt to equity ratio and the cash available will enable ProSep to have greater access to Export Development Canada guarantee programs and negotiate better lines of credit and lines for issuing guarantees with the Company's bank.

The previously announced agreement with holders of the Company's existing debentures (the "Debentures") to convert \$7,845,620 of indebtedness into Common Shares by amending the terms of the Company's existing Debentures is expected to close on or about July 17, 2009 (the "Amendments"). The Debenture holders have agreed to participate in the rights offering so as to ensure that ProSep realizes gross proceeds of at least \$4,840,000. As a result of the Amendments, the Company will issue 60,350,923 Common Shares and will reserve and keep available 13,178,333 unissued Common Shares (the "Underlying Common Shares") to permit the conversion of the remaining \$3,953,500 debenture at a conversion price of \$0.30 representing 20.45% of all the issued and outstanding Common Shares and together with the Common Shares issued further to the Amendments, representing 114% of the 64,443,451 issued and outstanding Common Shares as at the date hereof. FondAction, Le Fonds de développement de la confédération des syndicats nationaux pour la coopération et l'emploi ("FondAction") will hold \$2,816,000 of the remaining debenture. Assuming the full conversion of the remaining debenture, FondAction will exercise control over 33,852,274 Common Shares, excluding shares issuable upon exercise of the rights, representing 27.13% of all the issued and outstanding Common Shares further to the Amendments.

"This rights offering, the conversion of almost \$8,000,000 of debt into equity, and the commitment of our debenture holders, directors, and executive officers to reinvest \$4,840,000 will significantly improve ProSep's balance sheet" said Jacques L. Drouin, President & Chief Executive Officer. "Our revitalized balance sheet will enable us to invest appropriate working capital into our projects and operations. Our suppliers and customers will be able to rely on a more financially solid commercial partner. This should be beneficial for ProSep as we project a recovery of the upstream oil and gas capital spending market in 2010 associated with higher and more stable energy prices and an improved demand for oil and gas."

The Company has relied on the financial hardship exemption included in Sections 5.5(g) and 5.7(e) of *Multilateral Instrument 61-101 – "Protection of Minority Security Holders in Special Transactions"* to be exempted from the requirement for a formal valuation and a minority shareholder approval. The Toronto Stock Exchange ("TSX") has also granted the Company an exemption from the requirement to obtain shareholders' approval for the Amendments and the issuance of the Underlying Common Shares, in accordance with Section 604(e) of the TSX Company Manual in consideration of the serious financial circumstances of the Company. The closing of the rights offering is subject to customary closing conditions. Following the closing of the Amendments and the rights offering (assuming full subscription), ProSep will have 201,717,451 Common Shares issued and outstanding.

ProSep received approval from the TSX for the listing of the Rights and the Common Shares issuable upon the exercise of the Rights. This approval is subject to the Company fulfilling all of the listing requirements on the TSX. The securities offered

have not been and will not be registered under the *United States Securities Act 1933* (the "1933 Act"), as amended and, subject to certain exceptions, may not be offered or sold in the United States.

This news release does not constitute an offer to sell or the solicitation of an offer to buy these securities. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the 1933 Act. The Company does not intend to register any portion of the rights offering in the United States.

About ProSep Inc.

ProSep Inc. is dedicated to providing process solutions to the oil and gas industry. ProSep designs, develops, manufactures and commercializes technologies to separate oil, water and gas generated by oil and gas production. For more information, please visit www.prosepinc.com.

Caution concerning forward-looking statements

This press release may contain forward-looking statements, including statements regarding the business and anticipated financial performance of ProSep. These statements are based, among others, on the Company's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic and industry environments in which the Company operates or which could affect its activities, the Company's ability to attract new clients and consumers as well as its operating costs, raw materials and energy supplies which are subject to a number of risks and uncertainties. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include but are not limited to the Company's ability to develop, manufacture, and successfully commercialize value added equipments and services, the availability of funds and resources to continue its operations and pursue its projects, legislative or regulatory developments, competition, technological change, changes in government and economic policy, inflation and general economic conditions in geographic areas where ProSep operates. These and other factors should be considered carefully and undue reliance should not be placed on the forward-looking statements.

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