

PROSEP REPORTS 2009 SECOND QUARTER FINANCIAL RESULTS

MONTREAL, QUEBEC – August 13, 2009 - ProSep Inc. (TSX: PRP), dedicated to providing process solutions to the oil and gas industry, today announced its financial results for the three and six-month periods ended June 30, 2009. All amounts are reported in Canadian dollars unless otherwise stated.

Selected Highlights

- Subsequent to the quarter end, significantly strengthened balance sheet by converting \$8 million principal amount of indebtedness into equity and raising a potential maximum of \$10 million by way of a rights offering to shareholders, of which a minimum commitment of \$4.8 million from a group of debenture holders has been secured.
- Recorded revenues of \$9.3 million, a decrease of 38% from \$15.1 million during the corresponding period of 2008. Year-to-date, revenues are \$22.5 million, a 7% decrease from \$24.2 million during the corresponding period in 2008.
- Reported gross margin of \$3.7 million (40% of revenues) compared with \$4.2 million (28%) for the corresponding period of 2008. Year-to-date, gross margins stand at \$6.9 million (31%) compared with \$6.8 (28%) of revenues for the corresponding period of 2008.
- Generated EBITDA of \$0.5 million compared to \$1.4 million for the corresponding quarter of 2008. Year-to-date, EBITDA stands at \$0.3 million compared to \$0.9 million in 2008.
- Recorded a non-cash goodwill impairment of \$6.5 million as required under Canadian Generally Accepted Accounting Principles in light of recent decline in the Company's market capitalization and balance sheet restructuring initiative.
- Recorded net loss of \$7.1 million or \$0.11 per share compared with net loss of \$0.2 million for the corresponding period of 2008. Year-to-date, net loss was \$9.1 million or \$0.14 per share compared to \$3.5 million or \$0.06 per share for the corresponding period in 2008. Excluding goodwill impairment charge, non-GAAP adjusted net loss for the second quarter of 2009 was \$0.6 million and \$2.6 million for the six-month period, an improvement on a year-to-date basis.
- Successful commissioning of the Company's new 55,000 square foot assembly shop in Houston.
- Announced a \$1.4 million joint industry partnership with StatoilHydro, Total and Conoco Philips to develop a proprietary gas dehydration technology.
- Announced three contracts totalling \$1 million to supply proprietary technologies for BP, Conoco Philips and Maersk.
- Sales backlog stands at \$15.1 million at July 1, 2009.

"With a solid balance sheet resulting from the conclusion of a financial restructuring, a group of experienced and motivated employees and a wider range of conventional and proprietary technologies providing robust, innovative and efficient solutions to our clients, I believe we are in a good position to take advantage of anticipated improvements in the oil and gas industry and produced water treatment field," said Jacques L. Drouin, President and CEO of ProSep Inc. "After a challenging second quarter due to reduced capital expenditures at several of our clients, our primary focus continues to be on rebuilding a strong backlog of new contracts as we believe that the overall industry will revive its investment programs within the near future. In fact, the level of activity at all of our operations has increased as we are invited to tender on a larger number of projects and several of our proprietary products are further along in their qualification process in the Middle-East and are beginning to represent promising short term commercial opportunities."

Financial Results

For the quarter ended June 30, 2009 ProSep reported revenues of \$9,315,971, a 38% decrease from \$15,140,834 for the previous year. Year-to-date, revenues decreased 7%, to \$22,502,751 down from \$24,257,877 for the first half of 2008. Revenues were down at the Company's American operations (particularly affected by the slowdown in US onshore and Gulf of Mexico offshore E&P spending) to \$5,211,215 in Q2-2009 down from \$12,994,127 in Q2-2008. On a year-to-date basis, revenues from this business unit were \$15,230,525 compared with \$20,761,390 for the corresponding period of 2008. Second quarter revenues from Europe & Middle-East operations were \$1,253,070 compared with \$1,748,407 in Q2-08. On a year-to-date basis, revenues from this operation were \$2,252,537 in 2009 compared with \$2,889,142 for 2008. Second quarter results from the Company's US and Europe & Middle East operations were affected by reductions in oil and gas capital expenditure programs delaying or postponing projects and increased competition. ProSep continues to see encouraging results from its Asian business. For Q2-2009, the Asia Pacific operations reported a significant increase in revenues with sales of \$2,791,023 representing a 560% increase over Q2-08. Growth in the Company's South-East Asian operations underlines the importance of this region, where FPSO and gas opportunities are still important and where CAPEX spending has remained fairly strong. On a year-to-date basis, this operation reported revenues of \$5,027,075, up from \$1,240,231 for the same period last year. Since its inception in early 2007, this business unit has gained credibility and a reputation in project execution, resulting in invitations to tender on larger projects. Revenues from this entity now represent more than 22% of the Company's consolidated year-to-date revenues compared with a contribution of 5% in 2008.

Gross margins for Q2-09 were \$3,716,448 or 40% of revenues compared with \$4,229,926 or 28% of revenues for Q2-08. Year-to-date, gross margins improved to 31% of revenues or \$6,933,120 compared with 28% or \$6,762,505 for the corresponding period of 2008. Globally, these significant improvements in gross margins are due to unusually higher labour components compared to material cost for the contracts recognized during the period. Gross margins as a percentage of revenues at the US operations improved for both the second quarter at 42% for Q2-09 compared to 24% for Q2-08 and the six month period at 29% for 2009 compared to 26% for the same period last year. Gross margins as a percentage of revenues at the Europe & Middle-East operations were 80% for Q2-09, up from 44% in Q2-08, and 57% year-to-date, up from 37% for the corresponding period in 2008. For the Asia Pacific operations, gross margins as a percentage of revenues were 21% for Q2-09, down from 44% for the corresponding quarter of 2008 when labour was an important component of recognized contracts and 24% year-to-date, up from 18% for the corresponding period of the previous year, reflecting higher sales levels and operational synergies.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") stood at \$473,407 for Q2-09 compared with \$1,376,897 for the same period in 2008. Year-to-date, EBITDA stood at \$325,757 in 2009 compared with \$935,836 in 2008. This decrease results from lower revenue levels, reduced gross margins, increased G&A expenses and sales and marketing expenses during the second quarter of 2009.

Sales and marketing expenses were \$631,672 or 7% of revenues for Q2-09 compared with \$428,991 or 3% for Q2-08. Year-to-date, sales and marketing expenses were \$1,105,651 or 5% of revenues compared with \$990,055 or 4% of revenues for the previous year. This increase is mainly related to the introduction of a new conventional produced water line and increased resources to support the growing level of quotation requests.

General and administrative expenses were \$2,472,232 for Q2-09 compared with \$2,210,108 for Q2-08. Also, new hires and reduced level of activity in the European & Middle-East operations added pressure on G&A expense due to lower staff cost allocation to contracts. Year-to-date, G&A expenses were \$5,201,079 compared with \$4,319,479 for the corresponding period of 2008. A less favourable USD exchange rate in the second quarter of 2009 and increased expenses related to a stronger presence in Bahrain since the end of 2008 explain the variance. Finally, recent additions to Asia Pacific operations to support the increased level of activity also impacted G&A expenses.

Research and development expenses decreased to \$139,137 in Q2-09 from \$213,930 in Q2-08. Year-to-date, R&D expenses were \$300,633 compared with \$517,135. These expenses, mostly salaries, were reduced as development activities are increasingly conducted in collaboration with industry partners.

The Company reported a net loss of \$7,147,852 or \$0.11 per share for Q2-09 compared with a net loss of \$162,122 for Q2-08. Excluding goodwill impairment, Non-GAAP adjusted net loss for the quarter was \$0.6 million. Year-to-date, net loss was \$9,132,368 or \$0.14 per share compared with \$3,499,936 or \$0.06 per share for the corresponding period in 2008. Excluding goodwill impairment, Non-GAAP adjusted net loss for the first six months of 2009 was \$2.6 million. The increase in the Non-GAAP adjusted net quarterly loss relates to lower revenue recognition during the second quarter, while year-to-date improvements in Non-GAAP adjusted net loss resulted from better cost controls.

Basic and diluted loss per share was determined using the weighted-average number of Common Shares outstanding during the period. 64,443,451 Common Shares were issued and outstanding at June 30, 2009 compared to 62,556,566 at the same date in 2008. At June 30, 2009, ProSep held cash and cash equivalents of \$5,435,714 compared with \$7,615,119 as at December 31, 2008.

Balance Sheet Restructuring and Rights Offering

Subsequent to the quarter, ProSep announced a plan to restructure its balance sheet and provide additional liquidities. On July 16, 2009, the Company concluded a conversion of outstanding debentures whereby \$7,845,620 of indebtedness was converted into Common Shares. As a result the Company issued 60,350,923 Common Shares and has, at the date thereof, a total of 124,794,374 Common Shares issued and outstanding. Concurrently with the amendment and conversion of the debentures, the Company filed on July 17, 2009, a final short form prospectus for a proposed \$10 million Rights Offering to shareholders expected to close on August 20, 2009, of which \$4,480,000 has already been secured by a group of debenture holders. Assuming full subscription, 76,923,077 Common Shares will be issued for a total post transaction, of up to 201,717,451 Common Shares issued and outstanding. As at June 30, 2009, proforma cash and cash equivalents adjusted for full exercise of the rights offering would stand at \$14 million.

Goodwill Impairment

In light of the Company's current market capitalization and recently announced balance sheet restructuring initiative, Canadian GAAP required the Company to perform an interim goodwill test to consider the estimated impact of the balance sheet restructuring transaction, estimating the anticipated fair value of the Company using the conversion price of \$0.13 from the debenture amendment.

Based on these estimates, the Company determined that the anticipated value of ProSep is below its expected carrying value and that impairment loss of goodwill was probable. Accordingly, an impairment charge of \$6.5 million was estimated and recorded in the second quarter of 2009. The final amount of the write-down may be adjusted once management completes the analysis.

Selected Financial Highlights

000s	Quarter ended June 30		Six-months ended June 30	
	2009	2008	2009	2008
Revenue	\$9,316	\$15,141	\$22,503	\$24,258
Gross margin	\$3,716	\$4,230	\$6,933	\$6,763
Gross margin percentage of sales	40%	28%	31%	28%
EBITDA*	\$473	\$1,377	\$326	\$936
EBITDA percentage of sales	5%	9%	1%	4%
Non-GAAP adjusted net profit (loss) excluding goodwill impairment	(\$648)	n/a	(\$2,632)	n/a
Net profit (loss)	(\$7,148)	(\$162)	(\$9,132)	(\$3,500)
Basic and diluted profit (loss) per share	(\$0.11)	(\$0.00)	(\$0.14)	(\$0.06)
Weighted average number of shares (basic and diluted)	64,443	62,557	64,443	62,557

000s As at:	June 30, 2009	December 31, 2008
Working capital	\$1,694	(\$6,256)
Total Assets	\$53,626	\$69,496
Long-term liabilities	\$19,759	\$13,495
Shareholder equity	\$10,561	\$19,531

*EBITDA is a non-GAAP measure and the Company defines it as earnings or loss from operations excluding depreciation and amortization, financial charges and income taxes. Please refer to section called non GAAP measurement in the MD&A.

ProSep filed its quarterly consolidated financial statements for the three and six-month periods ending June 30, 2009 and related management discussion and analysis with securities regulatory authorities. The material will be available through SEDAR at www.sedar.com and on the Company's website, www.prosepinc.com.

Conference Call and Webcast Details

ProSep will host a conference call and webcast on Thursday, August 13th at 8:30 a.m. (ET) to discuss its 2009 second quarter and six-month financial results. To access the conference call by telephone, dial 416-644-3433 or 1-800-814-3911. A live audio webcast of the conference call will also be available through www.prosepinc.com under the calendar of events in the news and investor center and on www.newswire.ca. Please connect approximately 15 minutes prior to the beginning of the call to ensure participation.

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 Inc. 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 Inc. operates. These and other factors should be considered carefully and undue reliance should not be placed on the forward-looking statements.

-30-

Contacts

ProSep Inc.

Jacques L. Drouin
President & CEO
(514) 522-5550 ext. 226
jdrouin@prosepinc.com

Patrice Daignault
CFO & Corporate Secretary
(514) 522-5550 ext. 235
pdaignault@prosepinc.com