

PROSEP Announces Initiative to Strengthen Balance Sheet

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MONTREAL, QUEBEC – June 17, 2009 - ProSep Inc. (TSX: PRP) ("ProSep" or the "Company"), dedicated to providing process solutions to the oil and gas industry, today announced an initiative to strengthen its balance sheet. The plan includes:

- An intention to file a preliminary short form prospectus for a Rights Offering to the Shareholders (the "Shareholders") as of a record date for the Rights Offering (the "Record Date") to raise a maximum of \$10,000,000 (the "Rights Offering"); and
- An agreement with the holders of its existing debentures (the "Debentures") to convert \$7,845,620 of indebtedness into common shares of ProSep (the "Common Shares") by amending the terms of the Company's existing Debentures and to participate in the Rights Offering so as to ensure that ProSep realizes gross proceeds of at least \$4,840,000.

The effect of the Rights Offering, expected to close in the third quarter, taken together with the amendments to the Debentures, will be to (i) reduce indebtedness under such Debentures by \$7,845,620, (ii) reduce the Company's short term debt obligations by over \$3,700,000 and (iii) provide additional liquidities for general working capital purposes.

Debentures Amendments

Pursuant to the Rights Offering purchase and debentures amendment agreement entered into on June 17, 2009 (the "**Rights Offering Purchase and Debentures Amendment Agreement**"), holders of the Company's i) \$1,500,000 principal amount 12% Secured Convertible Debentures due October 29, 2009, ii) US\$4,000,000 principal amount 13.25% Unsecured Debentures with a final maturity date of April 1, 2013 and iii) \$5,090,000 principal amount 13% Unsecured Convertible Debentures due April 23, 2013 have agreed to amend the terms of these Debentures and to partially convert (representing an amount of \$7,178,500), at an amended conversion price of \$0.13, such Debentures and \$667,120 of accrued interest into an aggregate of 60,350,923 Common Shares (the "**Amendments**"). The closing of the Amendments will occur on or before the Record Date for the Rights Offering. Certain holders of Debentures have further agreed to exercise the Rights attached to all the Common Shares they hold as of the Record Date pursuant to their Basic Subscription Privileges and, if required, Additional Subscription Privileges to the fullest extent permitted by securities laws, to ensure that ProSep realizes gross proceeds from the Rights Offering of at least \$4,840,000.

Upon the Amendments, the holders of the (i) \$1,500,000 principal amount 12% Secured Convertible Debentures will convert their Debentures entirely into Common Shares at the amended conversion price of \$0.13; (ii) the US\$4,000,000 principal amount 13.25% Unsecured Debentures will exchange their Debentures entirely in an equivalent principal amount of 13% Unsecured Convertible Debentures with a final maturity date of April 23, 2013; and (iii) \$5,678,500 principal amount of the 13% Unsecured Convertible Debentures will be converted into Common Shares at the amended conversion price of \$0.13 (reduced from \$0.45). As a result, the remaining Debentures outstanding will have a principal amount of \$3,953,500. The Debentures will bear interest at an annual rate of 13.25% (increased from 13%) and the maturity date will be extended from April 23, 2013 to the fifth anniversary of the Amendments. The amended Debentures will be convertible, at the option of the holders, into Common Shares based on a conversion price of \$0.30 and redeemable in whole or in part by the Company at any time after the second anniversary of the Amendments. Interest will be payable every six months in cash.

The closing of the Amendments, which is subject to regulatory approval (including approval by the Toronto Stock Exchange) (the "**TSX**") and to other customary closing conditions, is expected to occur on or before the Record Date of the Rights Offering. As a result of the Amendments, the Company will issue 60,350,923 Common Shares representing a dilution of 94% of all the issued and outstanding Common Shares at the date hereof and will have a total of 124,794,374 Common Shares issued and outstanding. Following the Amendments but before giving effect to the Rights Offering, the share ownership of FondAction, Le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi ("**FondAction**") will increase from 2,804,069 Common Shares to 24,465,607 Common Shares (from 4.4% to 19.6% of the issued and outstanding Common Shares). The personal investment vehicle of one of the directors of ProSep will convert its \$250,000 principal amount of 13% Unsecured

Convertible Debentures into 1,923,077 Common Shares, increasing its holdings from 92,676 Common Shares to 2,015,753 Common Shares (from 0.1% to 1.6% of the issued and outstanding Common Shares).

The Amendments have been unanimously approved by all directors of the Company who are free from any interest and unrelated to the parties involved in the proposed transaction. The Amendments may constitute a related party transaction in accordance to *Multilateral Instrument 61-101 – Protection of Minority Shareholders in Special Transactions* ("MI 61-101"). The Company relies on the financial hardship exemption included in Sections 5.5(g) and 5.7(e) of MI 61-101 to be exempted from the requirement for a formal valuation and a minority shareholder approval. In addition, the Company has applied to the TSX for an exemption, in accordance with Section 604(e) of the TSX Company Manual, from the requirement to obtain shareholder approval for the Amendments in consideration of the serious financial circumstances of the Company, as described in the Management's Discussion and Analysis for the period ended March 31, 2009. Closing of the Amendments is conditional on receipt of such exemption from the TSX. Shareholder approval is required by the TSX because the number of Common Shares to be issued on the Amendments exceeds the maximum 25% dilution permissible under TSX rules, the terms of the Debentures are amended mainly to provide for a reduced conversion price for the Debentures that is lower than the market price, less the permissible discount under TSX rules and the transaction may materially affect the control of the Company because of the increased share ownership of FondAction. The TSX has advised ProSep that the Company's reliance on this exemption will automatically result in a TSX de-listing review to confirm that ProSep continues to meet TSX continued listing requirements. The Company's reliance on the financial hardship exemption provisions under MI 61-101 and the TSX Company Manual is based on determinations by the board of directors of ProSep and all of its independent directors, acting in good faith, that the Company is in serious financial difficulty, that the transaction is designed to improve its financial position and that the terms of the transaction are reasonable under such circumstances.

Rights Offering

ProSep also intends to raise a maximum of \$10,000,000 in gross proceeds from the Rights Offering. ProSep intends to issue to Shareholders (that are residents of Canada and eligible Shareholders in other jurisdictions) of record on the Record Date (the "Eligible Holders"), one right ("Right") for each 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 the Expiration Date. The Subscription Price represents a 47% discount to the weighted average price of the Common Shares traded on the TSX during the ten trading days immediately preceding this announcement.

Shareholders that fully exercise their Rights pursuant to the Basic Subscription Privilege will be entitled to subscribe for additional Common Shares, if available, that were not subscribed for by other Rights holders at the price equal to the Subscription Price for each additional Common Share. The Rights will be exercisable for at least 21 days following the date of mailing of the final prospectus. Rights not exercised on or before 4:00 p.m. (local time at place of exercise in Canada) on the Expiration Date will be void and have no value. The Rights Offering is subject to regulatory approval, including the approval of the TSX and other customary closing conditions. The approximate net proceeds are estimated to be \$9,694,000 (assuming full subscription) and will be used for general working capital purposes.

ProSep has applied to list the Rights and the Common Shares issuable upon the exercise of the Rights on the TSX. Approval of such listing will be 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.

Following to the Amendments and the Rights Offering (assuming full subscription), ProSep will have 201,717,451 Common Shares issued and outstanding. Assuming full subscription under the Rights Offering, the share ownership of FondAction will increase from 4.4% to up to 21.7% of all the issued and outstanding Common Shares of ProSep.

Directors and members of the executive committee of the Company who own Common Shares and receive Rights pursuant to the Rights Offering have agreed to exercise Rights to acquire approximately 650,000 Common Shares under the Basic and Additional Subscription Privileges.

If a holder of Common Shares does not exercise all of its Rights pursuant to the Basic Subscription Privilege, the holder's current percentage ownership in the Corporation will be diluted by the issuance of Common Shares upon the exercise of Rights by other holders.

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.

Filing of Amended Public Documents

At the request of the Autorité des Marchés Financiers, the Company amended and re-filed on the date of this press release, its 2008 Annual Management Discussion and Analysis filed on March 12, 2009 (English version) to provide further analysis. The Company has also filed an information supplement to the Second Amended Proxy Circular filed on May 14, 2009. These changes are fully detailed in the accompanying letter filed on www.sedar.com.

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.

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