



**Notice of Annual and Special Shareholders Meeting
and Management Proxy Circular**

**Time: Thursday May 13, 2010
at 10:00 a.m.**

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

March 10, 2010

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NOTICE OF ANNUAL AND SPECIAL SHAREHOLDERS MEETING

TO: The shareholders of ProSep Inc.

Notice is hereby given that the annual and special 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 13, 2010 at 10:00 a.m. (Eastern Standard Time) (the "**Meeting**") for the following purposes:

1. to place before the Meeting the consolidated financial statements of ProSep for the fiscal year ended December 31, 2009, together with the report of the auditors thereon;
2. to elect the directors of ProSep (the "**Directors**") 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;
4. to consider and, if thought advisable, to pass, with or without variation, a resolution, the full text of which is set forth in Schedule A to the accompanying management proxy circular of ProSep dated March 10, 2010 (the "**Proxy Circular**"), to (i) ratify, confirm, amend and approve the renewal of the stock option plan of ProSep, and (ii) approve and authorize, for a period of three years, all unallocated stock options issuable pursuant to the stock option plan of ProSep;
5. to consider and, if thought advisable, to pass, with or without variation, a resolution, the full text of which is set forth in Schedule B to the accompanying Proxy Circular, to approve and amend the restricted share unit plan of ProSep;
6. to consider, and if thought advisable, to pass, with or without variation, a special resolution, the full text of which is set forth in Schedule C to the accompanying Proxy Circular approving an amendment to the Articles of Continuance of ProSep to consolidate the issued and outstanding common shares of ProSep (the "**Shares**") on the basis of a ratio within the range of one post-consolidation Share for every 2 pre-consolidation Shares to one post-consolidation Share for every 20 pre-consolidation Shares, with the ratio to be selected and implemented by the board of directors of ProSep (the "**Board of Directors**") in its sole discretion, if at all, at any time prior to May 13, 2011; and
7. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The accompanying Proxy Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice.

The 2009 Annual Report which comprised the Management's Discussion and Analysis of financial condition and results of operations, the consolidated financial statements of ProSep and the auditors' report to the Shareholders for the fiscal year ended December 31, 2009 is posted at www.prosep.com and www.sedar.com.

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

The Board of Directors has fixed the close of business on March 31, 2010 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 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 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 enclosed form of proxy and in the Proxy Circular. A form of 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 the management of ProSep, the members of the Board of Directors and your fellow Shareholders. At the Meeting, ProSep will also report on its 2009 business results and the operations and strategic orientation of ProSep.

DATED at Montreal, Québec, this 10th day of March, 2010.

BY ORDER OF THE BOARD OF DIRECTORS
OF PROSEP INC.

(s) Jacques L. Drouin

Jacques L. Drouin
President and Chief Executive Officer

<p>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.</p>

MANAGEMENT PROXY CIRCULAR

This management proxy circular (the "Proxy Circular") is furnished in connection with the solicitation of proxies by and on behalf of the directors of ProSep Inc. ("ProSep") for use at the annual and special shareholders meeting of ProSep to be held at Best Western Ville-Marie Hotel & Suites, 3407 Peel, Montreal, Québec, on Thursday, May 13, 2010, at 10:00 a.m. (East Standard Time) (the "Meeting") and any adjournment thereof. No person has been authorized to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Proxy Circular and, if given or made, any such information or representation must not be relied upon as having been authorized. All summaries of, and references to, the stock option plan of ProSep (the "Stock Option Plan") or the restricted share unit plan of ProSep (the "Restricted Share Unit Plan") in this Proxy Circular are qualified in their entirety by reference to the complete text of the Stock Option Plan and the Restricted Share Unit Plan, a copy of which is attached as Schedules D and E to this Proxy Circular. You are urged to read the full text of the Stock Option Plan and the Restricted Share Unit Plan.

Information contained in this Proxy Circular is given as of March 10, 2010 unless otherwise specifically stated.

It is expected that the solicitation will be made primarily by mail, but proxies may also be solicited by telephone, over the internet, in writing or in person, by directors, officers or regular employees of ProSep who will receive no compensation therefore in addition to their regular remuneration. Proxies may also be solicited personally by officers of ProSep (the "Officers") at nominal cost. The cost of any such solicitation is expected to be nominal and will be borne by ProSep. In this 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 March 31, 2010 as the record date (the "Record Date") for determining which beneficial owners of common shares of ProSep (the "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 4, 2010. 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 2015 Peel Street, Suite 630, Montreal, Québec, H3A 1T8.

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 set forth in the enclosed Form of Proxy and inserting the desired person's name in the blank space provided therein or by completing another proper Form of Proxy and, in either case, by returning the completed Form of 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 Form of 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 accompanying Form of Proxy confers discretionary authority upon the attorney named therein with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournments thereof. As of the date of the 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 it.

If no choice is specified by a Shareholder with respect to any matter identified in the Form of Proxy or any amendment or variation to such matter, it is intended that the person designated in the enclosed Form of Proxy will vote the Shares represented thereby in favour of any such matter as described in this Proxy Circular.

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 CDS Clearing and Depository Services Inc. of which the Intermediary is a participant. In accordance with the requirements of *National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer*, ProSep has distributed copies of the Notice of Meeting, the Proxy Circular, the Form of Proxy and the Form of Voting Instruction (as defined below) (collectively, the "**Meeting Material**") 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 Form of 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 Form of Proxy, this Form of Proxy is not required to be signed by the Non-Registered Holder when submitting the Form of Proxy. In this case, the Non-Registered Holder who wishes to submit a Form of Proxy should otherwise properly complete the Form of 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 set forth in the enclosed Form of Proxy 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 Form of Proxy or Form of Voting Instructions is to be delivered.**

REVOCABILITY OF PROXY

Any registered Shareholder who has returned a Form of Proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a Form of Proxy may be revoked by instrument in writing, including a Form of 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 Form of 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 Chairman of the Meeting on the day of the Meeting. A revocation of a Form of 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.**

OUTSTANDING SHARES AND PRINCIPAL SHAREHOLDERS

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 (the "**Articles**"). As of March 10, 2010, there were a total of 163,255,910, Shares outstanding. Each Share entitles the holder thereof to one vote on all matters to come before the Meeting.

To the knowledge of the directors of ProSep (the "**Directors**") and executive officers of ProSep (the "**Officers**"), as of March 10, 2010, no person or company beneficially owns or exercised control or direction over, directly or indirectly, Shares carrying 10% or more of the voting rights attached to the issued and outstanding Shares other than: (i) Fondaction, le fonds de développement de la confédération des syndicats nationaux pour la coopération et l'emploi, which holds 36,004,069 Shares (representing approximately 22.05% of the issued and outstanding Shares) and (ii) Cycle Capital Management, which holds 26,224,737 Shares (representing approximately 16.06% 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 Shareholders for the passing of the same except for the Consolidation Resolution (as defined below) that must be approved by a special resolution passed by not less than two-thirds of the votes cast by the Shareholders voting at the Meeting.

ANNUAL BUSINESS OF THE MEETING PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of ProSep for the fiscal year ended December 31, 2009, together with the report of auditors thereon placed before the Shareholders are included in the management discussion and analysis of the financial conditions and results of operations of ProSep for the years ended December 31, 2009 and 2008 and are available on SEDAR at www.sedar.com. Copies of such statements will be available at the Meeting.

ELECTION OF DIRECTORS

The Articles 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 six (6). The Board of Directors has set the number of Directors to be elected at the Meeting to six (6). 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 of ProSep's (the "**Management**") 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 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 by ProSep 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.

The persons named in the enclosed Form of Proxy intend to vote FOR the election of the nominees whose names are set forth below, all of whom are now Directors and have been since the dated indicated.

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 Montreal, Qu�bec Canada</p> <p>Director</p> <p>Member of the Audit Committee</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 Chartered Accountants firms and in information technology 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>	<p>2003</p>	<p>60,776</p>
<p>Paul Coppinger Oklahoma City, Oklahoma U.S.A.</p> <p>Director</p> <p>Member of the Human Resources and Corporate Governance Committee</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>	<p>2007</p>	<p>161,640</p>

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 & 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>	<p>2007</p>	<p>188,923</p>
<p>David H. Laidley</p> <p>Montreal, Québec Canada</p> <p>Director</p> <p>Member of the Audit Committee</p>	<p>Mr. Laidley is Chairman Emeritus of Deloitte & Touche LLP (Canada), where he was a partner from 1975 until his retirement in 2007. Mr. Laidley served as Chairman of Deloitte & 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>137,394</p>

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>Richard Lint Toronto, Ontario Canada</p> <p>Director</p> <p>Member of the Human Resources and Corporate Governance Committee</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 & 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 industries on compensation and strategic planning. He holds a Bachelors Degree in Industrial Engineering and an MBA, both from the University of Toronto.</p>	<p>2007</p>	<p>165,000</p>
<p>Anthony Rustin Montreal, Québec Canada</p> <p>Chairman of the Board of Directors</p> <p>Member of the Human Resources and Corporate Governance Committee</p>	<p>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.</p>	<p>2003</p>	<p>201,750</p>

CERTAIN PROCEEDINGS

To the knowledge of ProSep, none of the proposed nominees for election as Directors: (a) are, as at the date hereof, or have been, within 10 years before the date of this Proxy Circular, a director, chief executive officer or chief financial officer of any other company that while the director was acting in that capacity, (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 Proxy Circular, or have been within 10 years before the date of this 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 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.

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**"). The Audit Committee is to be composed of three members and the HR&CG Committee is to be composed of three members.

Considering the departure of Mr Bruno Ducharme, the Audit Committee is currently composed of two members: (i) the Chair, David Laidley and (ii) Gérard Caron. The Company is currently looking to replace Mr Ducharme on both the Board of Directors and on the Audit Committee. All members of the Audit Committee qualify as independent and financially literate Directors, in accordance with *National Instrument 52-110 – Audit Committee* ("**NI-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 10, 2010. The HR&CG Committee is currently 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 NI 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 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. Therefore, a majority of the Directors is 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.

The Board of Directors held eight (8) meetings over the financial year ended December 31, 2009. 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 2009 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	3 of 3	-	2 of 2
Jacques Drouin	5 of 5	3 of 3	-	-
Gérard Caron	5 of 5	3 of 3	4 of 4	
Paul Coppinger	5 of 5	3 of 3	-	2 of 2

Directors	Board Meetings Attended	Telephone Board Meetings	Audit Committee	Human Resources and Corporate Governance Committee
Richard Lint	5 of 5	3 of 3		2 of 2
Bruno Ducharme ⁽¹⁾	3 of 5	2 of 3	2 of 4	
David Laidley	3 of 5	3 of 3	4 of 4	

(1) Mr. Ducharme resigned from the Board of Directors and the Audit Committee as of September 14, 2009.

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 (as defined below) 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 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 consist of four components: base salary, a cash-based annual incentive, long term incentives through the granting of stock options of ProSep (the "**Stock Options**") and Restricted Share Units (the "**RSUs**") 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 2009 financial year, the base salary represented on average 65%, the cash-based annual incentive, 25% and the long term incentives, and 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, taxes depreciation and amortization ("EBITDA"), 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 stage 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. The Comparator Group includes, but is not limited to the following companies: Zenon Environmental Inc, Big Rock Brewery Income Trust, Amisco Ltd and Firan Technology Group Inc.

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. 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, 2009, performance objectives for senior officers, including the Named Executive Officers, were established on the basis of corporate performance (*inter alia*, projected global EBITDA and projected revenues and backlog) and specific corporate objectives and ranged from 25% to a maximum of 75% 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. Stock Options and RSUs are granted to senior executives and other employees, based on a pre-established grid, depending on their title and responsibilities within ProSep. Stock Options 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 EBITDA 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, referred to at Page 14. Accordingly, the HR&CG Committee reviews 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 \$100,000 representing 36% of his base salary, will be paid to the President and Chief Executive Officer in 2010 in respect of the 2009 financial year. His target bonus may represent between 40% and 75% of his base salary.

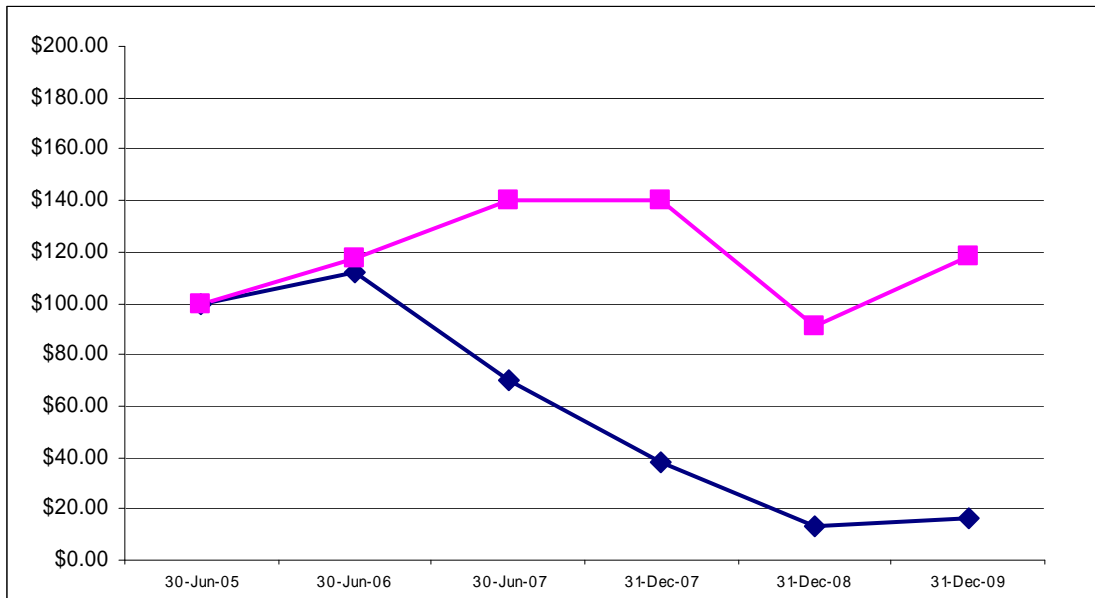
Long-Term Incentives



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

For more information regarding grants of Stock 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					
		30-Jun-05	30-Jun-06	30-Jun-07	31-Dec-07	31-Dec-08	31-Dec-09
ProSep Inc.		\$100.00	\$112.00	\$70.00	\$38.00	\$13.50	\$16.50
S&P TSX Composite Index		\$100.00	\$117.27	\$140.43	\$139.69	\$90.76	\$118.61

EXECUTIVE COMPENSATION

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, 2009, 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").

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary (\$)	Share-based awards ¹⁵ (\$)	Option-based awards ¹⁶ (\$)	Non-equity incentive plan compensation		Pension value ²¹ (\$)	All other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)			
Jacques L. Drouin CEO ProSep Inc.	2009 2008 2007 ¹ 2007 ²	275,000 250,000 103,000 170,000	84,000 117,000 - -	-- - 58,994 47,237	100,000 ¹⁷ 150,000 ¹⁸ 65,000 ¹⁹ 50,000 ²⁰	- - - -	- - - -	- - - -	459,000 517,000 226,994 267,237
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	2009 2008	175,000 58,333 ¹²	28,500 16,000	- -	38,300 ¹⁷ 20,000 ¹⁸	- -	- -	- -	241,800 94,333
Susan Da Silva, VP Finance & Corp. Secretary, ProSep Inc. (Left the company in July 2008)	2008 2007 ¹ 2007 ²	64,615 52,538 90,100	- - -	- 9,936 7,664	- 7,000 ²⁰ -	- - -	- - -	- - -	64,615 59,538 90,100
Lewis Mologne, President, ProSep Technologies Inc.	2009 ³ 2008 ⁴ 2007 ⁵	249,986 201,739 185,874	42,000 78,000 24,800	- - 21,652	81,100 ¹⁷ 121,043 ¹⁸ 65,548 ²⁰	- - -	- - -	19,037 ²² 14,179 ²² 165,479 ²³	392,123 414,961 463,354
Petter Hovland, President & General Manager ProPure AS (Left the company in December 2009)	2009 ⁶ 2008 ⁷	181,400 120,829 ¹³	5,250 11,333	- -	- 25,250 ¹⁸	- -	19,371 -	- -	206,021 147,968
Kjell-Inge Arnevig General Manager ProPure AS	2009 ⁶	57,141 ¹⁴	5,250	-	-	-	20,407	-	82,798
Harald Linga VP Product Development, ProPure AS	2009 ⁶ 2008 ⁷ 2007 ⁸	192,284 163,458 161,040	8,250 18,000 13,950	- - 16,239	- 43,360 ¹⁸ 33,693 ²⁰	- - -	42,440 40,365 38,500	10,884 ²⁴ 10,864 ²⁴ 10,980 ²⁴	253,858 276,047 274,402
Matthew Rummer General Manager, ProSep AP	2009 ⁹ 2008 ¹⁰ 2007 ¹¹	135,017 130,960 120,047	21,000 19,500 10,230	- - 10,826	36,600 ¹⁷ 31,161 ¹⁸ -	- - -	- - -	46,132 ²⁵ 30,362 ²⁴ -	238,749 211,983 141,103

¹ July 2007 to December 2007.

² July 2006 to June 2007.

³ Average yearly exchange rate CAD \$ 1.1363 = 1 USD.

⁴ Average yearly exchange rate CAD \$ 1.0671 = 1 USD.

⁵ Average yearly exchange rate CAD \$ 1.2110 = 1 USD.

⁶ Average yearly exchange rate CAD \$ 0.1814 = 1 NOK.

⁷ Average yearly exchange rate CAD \$ 0.1899 = 1 NOK.

8 Average yearly exchange rate CAD \$ 0.1888 = 1 NOK.
9 Average yearly exchange rate CAD \$ 0.3230 = 1 RM.
10 Average yearly exchange rate CAD \$ 0.3446 = 1 RM.
11 Average yearly exchange rate CAD \$ 0.3202 = 1 RM.
12 Annual salary of \$175,000. Mr. Daignault started to work at ProSep in September 2008.
13 Annual Salary of \$189,900. Mr. Hovland started to work in May 2008.
14 Annual salary of \$228,564 for the 3 last months of 2009.
15 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. For 2009, the share-based awards represented for the total remuneration the following percentages for Jacques L. Drouin 18%, for Patrice Daignault 12%, for Lewis Mologne 11%, for Petter Hovland 3%, for Harald Linga 3%, for Kjell-Inge Arnevig 6%, and for Matthew Rummer 9%.
16 Stock 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 Stock 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. Refer to Pricing Model Assumptions table below (save and except for Messrs. Mologne, Linga and Rummer, the remaining Named Executive Officers voluntarily cancelled all of their outstanding Stock Options in 2008).
17 This performance bonus was paid in 2010 for having achieved objectives in the 2009 financial year.
18 This performance bonus was paid in 2009 for having achieved objectives in the 2008 financial year.
19 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.
20 This performance bonus was paid in 2008 for having achieved objectives in the 2007 financial year.
21 Refer to the Defined Benefits Plan Table in the pages below.
22 In accordance with ProSep's policy, ProSep contributed this amount to Mr. Mologne's 401(K).
23 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).
24 Automobile allowance.
25 Automobile, housing and expatriate location allowance.

Share based award table

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 President & CEO	300,000	0.39	117,000	36	12	39,000	Apr-11
	300,000	0.21	63,000	36	9	15,750	Mar-12
	200,000	0.105	21,000	36	4	2,333	Sep-12
						57,083	
Patrice Daignault CFO & Corp. Secretary	50,000	0.32	16,000	36	12	5,333	Sep-10
	100,000	0.21	21,000	36	9	5,250	Mar-12
	50000	0.15	7,500	36	10	2,083	Mar-12
						12,667	
Susan Da Silva VP Finance & Corp Secretary (Left the Company in July 2008)	-	-	-	-	-	-	N/A
Lewis Mologne President, ProSep Technologies, Inc.	80,000	0.31	24,800	24	12	12,400	Jan-10
	200,000	0.39	78,000	36	12	26,000	Apr-12
	200,000	0.21	42,000	36	9	10,500	Mar-12
						48,900	
Petter Hovland President & General Manager, ProPure AS (Left the Company in December 2009)	200,000	0.17	34,000	36	12	11,333	Nov-11
	100,000	0.21	21,000	36	9	5,250	Mar-12
						16,583	

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
Kjell-Inge Arnevig General Manager, ProPure AS	25,000	0.21	5,250	36	9	1,313	Mar-12
Harald Linga VP Product Development, ProPure AS	45,000	0.31	13,950	24	12	6,975	Jan-10
	25,000	0.39	9,750	36	12	3,250	Apr-11
	25,000	0.33	8,250	36	12	2,750	Aug-11
	50,000	0.21	10,500	36	9	2,625	Mar-12
						15,600	
Matthew Rummer General Manger, ProSep AP	33,000	0.31	10,230	24	12	5,115	Jan-10
	50,000	0.39	19,500	36	12	6,500	Apr-11
	100,000	0.21	21,000	36	9	5,250	Mar-12
							16,865

Black-Scholes-Merton Pricing Model Assumptions

	Year ended December 31, 2009	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%

Option based award table

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 State-ments June 07	Amount Booked in Financial State-ments Dec 07	Amount Booked in Financial Statements 2008	Amount Booked in Financial Statements 2009
	(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	-	-
					30,756	69,111	47,814	-	-
Patrice Daignault CFO, Corp Secretary	-	-	-	-	-	-	-	-	-
Lewis Mologne, President ProSep Technologies, Inc	100,000	21,652	Dec 2007	-	-	-	5,413	5,568	5,568

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 State-ments June 07	Amount Booked in Financial State-ments Dec 07	Amount Booked in Financial Statements 2008	Amount Booked in Financial Statements 2009
Petter Hovland President & General Manager, ProPure AS (Left the Company)	-	-	-	-	-	-	-	-	-
Kjell-Inge Arnevig General Manager ProPure AS	-	-	-	-	-	-	-	-	-
Harald Linga, VP Product Development, ProPure AS	75,000	16,239	Dec 2007	-	-	-	4,060	4,176	4,176
Matthew Rummer, General Manager ProSep AP	50,000	10826	Dec 2007	-	-	-	2,707	2,784	2,784

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 \$275,000 for the fiscal year ending December 31, 2009, subject to an annual review at the discretion of the Board of Directors, plus an annual performance bonus representing up to 75% 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 \$220,000 US for the fiscal year ending December 31, 2009 and is subject to an annual performance bonus representing up to 60% of his base salary. Mr. Arnevig shall be compensated at the annual rate of \$228,564 as well as a performance bonus of up to 37.5%. Mr. Linga shall be compensated at the annual rate of \$192,284 as well as a performance bonus of up to 37.5%. Mr. Rummer is entitled to \$135,017 per year plus performance bonus of up to 45%. With a view to retaining skilled individuals, ProSep generally offers cash and non-cash compensation, participation in a share-based awards program through the Restricted Share Unit Plan and the Stock Option Plan pursuant to which Stock 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 details 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

Option-Based Awards and Outstanding Share-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 is made with a view to motivating and encouraging the individual. Previous grants of Stock 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 option-based awards and share-based awards were outstanding:

Incentive Plan Awards table

Name	Option- based Awards ¹				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.	-	-	-	-	800,000	132,000 ²
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	-	-	-	-	200,000	33,000
Susan Da Silva VP Finance & Corp. Secretary, ProSep Inc. ³	-	-	-	-	-	-
Lewis Mologne President, ProSep Technologies, Inc.	100,000	0.31	Dec. 19, 2012	-	480,000	79,200
Petter Hovland President & General Manager, ProPure AS (Left the Company)	-	-	-	-	300,000	49,500
Kjell-Inge Arnevig, General Manager ProPure AS	-	-	-	-	25,000	4,125
Harald Linga VP Product Development, ProPure AS	75,000	0.31	Dec. 19, 2012	-	145,000	23,925
Matthew Rummer General Manager ProSep AP	50,000	0.31	Dec. 19, 2012	-	183,000	30,195

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

² The market value of share-based awards was retained for calculation.

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 Stock Options and share-based awards held at December 31, 2009 as well as the non-equity incentive awards for the most recently completed financial year.

Vesting of Options and Share based Awards table

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 (\$) ⁵
Jacques L. Drouin CEO, ProSep Inc.	-	- ⁴	100,000
Patrice Daignault CFO & Corp. Secretary, ProSep Inc.	-	- ⁴	38,300
Lewis Mologne President, ProSep Technologies, Inc.	- ¹	- ⁴	81,100
Petter Hovland President & General Manager, ProPure AS (Left the Company)	-	-	-
Kjell-Inge Arnevig, General Manager ProPure AS	-	-	-
Harald Linga VP Product Development, ProPure AS	- ²	- ⁴	-
Matthew Rummer General Manager ProSep AP	- ³	- ⁴	36,600

¹ 25,000 Stock Options with a strike price of \$0.31 vested on December 31, 2007. At Mr. Mologne's discretion, these Stock Options were not exercised although the market price was \$0.38 yielding a gain of \$1,750. 25,000 Stock Options with a strike price of \$0.31 vested on December 31, 2008. These Stock Options were not exercised in light of the \$0.135 market price yielding a loss of \$4,375. 25,000 Options with a strike price of \$0.31 vested on December 31, 2009. These Options were not exercised in light of the \$0.165 market price yielding a loss of \$3,625. 25,000 options remain unvested and will vest in December 2010. The expiry date is 2012.

² 18,750 Stock Options with a strike price of \$0.31 vested on December 31, 2007. At Mr. Linga's discretion, these Stock Options were not exercised although the market price was \$0.38 yielding a gain of \$1,312. 18,750 Stock Options with a strike price of \$0.31 vested on December 31, 2008. These Stock Options were not exercised in light of the \$0.135 market price yielding a loss of \$3,281. 18,750 Options with a strike price of \$0.31 vested on December 31, 2009. These Options were not exercised in light of the \$0.165 market price yielding a loss of \$2,719. 18,750 options remain unvested and will vest in December 2010. The expiry date is 2012.

³ 12,500 Stock Options with a strike price of \$0.31 vested on December 31, 2007. At Mr. Rummer's discretion, these Stock Options were not exercised although the market price was \$0.38 yielding a gain of \$875. 12,500 Stock Options with a strike price of \$0.31 vested on December 31, 2008. These Stock Options were not exercised in light of the \$0.135 market price yielding a loss of \$2,188. 12,500 Options with a strike price of \$0.31 vested on December 31, 2009. These Options were not exercised in light of the \$0.165 market price yielding a loss of \$1,813. 12,500 options remain unvested and will vest in December 2010. The expiry date is 2012.

⁴ RSU vesting dates are found on page 17, at footnote 15.

⁵ Bonuses paid in 2010 for 2009 objectives achievement.

Option-Based Awards – Stock Options Plan

ProSep grants Stock Options to its Directors, Officers, 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. Stock Options may be exercised at a price equal to the quoted market value at the date of grant. Stock Options expire five years from the date of the grant. Stock 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 Stock Options is amortized over the vesting period.

There were no Stock Options granted during the year ended December 31, 2009. 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 9 on the table on page 18 of this Proxy Circular. The Stock Option Plan is summarized in the section of this Proxy Circular entitled "Renewal of the Stock Option Plan".

Share-Based Awards – Restricted Share Units (RSUs)

The Restricted Share Unit 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: 45% to Management, 15% to Directors and 15% to business unit vice-presidents and managers. The formulas used to determine the amount, exercise prices, expiry and vesting dates are contained footnote 15 on the table on page 16 of this 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 75% of their annual base salary if the set of financial (*inter alia* projected global EBITDA 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, Kjell-Inge Arnevig 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 a 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, 2009. 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	N/A	N/A		N/A	N/A	N/A	N/A
Patrice Daignault CFO & Corporate Secretary, ProSep	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
Petter Hovland President & General Manager, ProPure AS	1.7	3,069	44,626	65,052	19,371	(8,668)	47,316
Kjell-Inge Arnevig, General Manager ProPure AS	1.2	2,347	37,022	22,213	20,407	(6,140)	36,481
Harald Linga ¹ VP Product Development, ProPure AS	12.1	19,685	45,691	295,100	42,440	(44,428)	293,114
Matthew Rummer General Manager ProSep AP	N/A	N/A		N/A	N/A	N/A	N/A

¹ Exchange rate (NOK to CAD) of 5.5371 as of December 31, 2009.

Until June 30, 2007, ProSep had no pension plan. Thereafter, only the Norwegian subsidiary (Pure Group AS) has a pension plan, to which Mr. Hovland, Mr. Arnevig and Mr. Linga are contributors. 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. The accrued pension obligation is calculated following the method prescribed by Norwegian authorities and which is also in line with the CICA norms. The following assumptions were used:

Accrued benefit obligation:

Discount rate	4.4%
Rate of compensation increase	4.3%

Benefit costs

Discount rate	3.8%
Expected long term rate of return on plan assets	5.6%
Rate of compensation increase	4.0%

This plan is available to all Norwegian subsidiary salaried employees.

Defined Contribution Plans Table

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 amended employment agreement entered into by Mr. Jacques L. Drouin and ProSep on December 12 2009 and which incorporates all previous employment and change of control agreements (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) twelve months of his base salary and all bonuses due. Within one year of a change of control, he is entitled to receive twenty-four months of his base salary and any and all bonuses due. 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.

Termination	
12 months base salary notice	275,000
Accrued unpaid base salary to year end	4,231
Bonus	100,000
Accrued unpaid Vacation	5,288
Prorated RSUs	37,720 ¹
	\$422,239²
Termination less than 12 months after Change of Control	
24 months base salary notice	550,000
Accrued unpaid base salary to year end	4,231
Bonus	100,000
Accrued unpaid Vacation	5,288
Prorated RSUs	37,720 ¹
	\$697,239²
Termination more than 12 months after Change of Control	
12 months base salary notice	275,000
Accrued unpaid base salary to year end	4,231
Bonus	100,000
Accrued unpaid Vacation	5,288
Prorated RSUs	37,720 ¹
	\$422,239²

¹ Number of non vested RSU times number of months elapsed since granted divided by vesting period times \$0,165

² 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), six (6) months of base salary. 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.

Termination	
6 months base salary notice	87,500
Accrued unpaid base salary to year end	2,692
Bonus	38,300
Accrued unpaid Vacation	6,731
Prorated RSUs	10,358 ¹
	\$145,581²

¹ Number of non vested RSU times number of months elapsed since granted divided by vesting period times \$0,165

² 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.

Termination for cause	
Notice	-
Accrued base salary to year end ¹	-
Bonus	81,100
Payment of all outstanding expenses, if any	-
Accrued unpaid Vacation	-
	\$81,100

¹ Zero as salary paid monthly.

Termination for good reason (employee) or for other reason (employer)	
12 months Notice	249,986
Accrued base salary to year end ¹	-
Bonus	81,000
Accrued unpaid Vacation	-
Prorated RSUs	40,333 ²
	\$371,319³

¹ Zero as salary paid monthly.

² Number of non vested RSU times number of months elapsed since granted divided by vesting period times \$0,165

³ In addition to payment of all outstanding expenses, if any.

Pursuant to the employment agreement entered into by Petter Hovland and ProPure AS, Mr. Hovland shall be given six (6) months salary other than for cause. Assuming that Mr. Hovland 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.

Termination	
3 months notice	45,350 ¹
6 months severance base salary ²	90,700
Accrued base salary to year end ³	-
Bonus	-
Prorated RSUs	17,233 ⁴
Accrued unpaid Vacation	-
	\$153,283

¹ Mr. Hovland left the Company on December 31st, 2009.

² Annual salary of 1M NOK converted at year end rate of 0.1814 NOK/CAD.

³ Zero as Norway employees get paid the 15th of the month for the whole month.

⁴ Number of non vested RSU times number of months elapsed since granted divided by vesting period times \$0,165

Pursuant to the employment agreement entered into by Kjell-Inge Arnevig and ProPure AS, Mr. Arnevig shall be given six (6) months salary other than for cause. Assuming that Mr. Arnevig 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.

Termination	
3 months notice	57,141
6 months severance base salary ¹	114,282
Accrued base salary to year end ²	-
Bonus	-
Prorated RSUs	1,031 ³
Accrued unpaid Vacation	5,216
	\$177,670⁴

¹ Annual salary of 1.26M NOK converted at year end rate of 0.1814 NOK/CAD.

² Zero as Norway employees get paid the 15th of the month for the whole month.

³ Number of non vested RSU times number of months elapsed since granted divided by vesting period times \$0,165

⁴ In addition to payment of all outstanding expenses, if any.

Pursuant to the employment agreement entered into by Mr. Harald Linga and ProPure 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.

Termination	
3 months notice	48,072
6 months severance base salary ¹	96,144
Accrued base salary to year end ²	-
Bonus	-
Prorated RSUs	13,807 ³
Accrued unpaid Vacation	5,216
	\$163,239⁴

¹ Annual salary of 1.06M NOK converted at year end rate of 0.1814 NOK/CAD.

² Zero as Norway employees get paid the 15th of the month for the whole month.

³ Number of non vested RSU times number of months elapsed since granted divided by vesting period times \$0,165

⁴ 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.

Termination	
3 months Notice ¹	33,753
Accrued base salary to year end ²	-
Prorated RSUs ³	14,428
Bonus	36,600
	\$84,781⁴

¹ Annual salary of 418,000 RM converted at rate of 0.323 RM/CAD.

² Zero as monthly payment assumed.

³ Number of non vested RSU times number of months elapsed since granted divided by vesting period times \$0,165

⁴ In addition to payment to all outstanding expenses, if any.

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 Stock 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

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$) ³	Total
Anthony Rustin	26,000	63,000	-	-	-		89,000
G�rard Caron	19,350	31,500	-	-	-	-	50,850
Paul Coppinger	16,000	26,250	-	-	-	3,200	45,450
Bruno Ducharme	10,300 ¹	- ²	-	-	-	-	10,300
Richard Lint	18,575	31,500	-	-	-	2,000	52,075
David Laidley	19,250	26,250	-	-	-	-	45,500

¹ Until September 2009. (resigned from the board)

² Mr Ducharme declined his RSU grant

³ Reimbursement of travel expenses

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 (\$)
Anthony Rustin	-	-	-	-	-	-
G�rard Caron	-	-	-	-	-	-
Paul Coppinger	-	-	-	-	-	-
Bruno Ducharme	-	-	-	-	25,000 ¹	4,125
Richard Lint	-	-	-	-	-	-
David Laidley	-	-	-	-	25,000	4,125
Jacques Allard	-	-	-	-	-	-
Anthony Grace	-	-	-	-	-	-

¹ The RSU's granted to Mr. Ducharme were forfeited by him upon his resignation in September 2009.

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., Gennum 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) ⁽¹⁾	4,581,778 ²	0.31\$	11,743,813

(1) As at December 31, 2009.

(2) Comprised of 420,000 outstanding stock options and 4,161,778 restricted share units

No grants of Stock Options to purchase Shares were made to the Officers, including the Named Executive Officers, and no Stock Options were exercised in 2009.

A total of 2,415,000 restricted share units were granted during the year and 104,722 were forfeited.

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 undertaking in respect of any indebtedness of any such person to any other person or entity provided by ProSep 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 persons named in the enclosed Form of Proxy intend to vote FOR the reappointment of Raymond Chabot Grant Thornton ("**RCGT**") as auditors of ProSep to hold office until the next annual meeting of Shareholders or until their successors are appointed, 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, 2009 did not contain any reservations or reportable events.

AUDITOR INDEPENDENCE

Raymond Chabot Grant Thornton LLC (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 LLC ("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, 2009	Fees paid to D&T December 31, 2009	Fees paid to RCGT December 31, 2008	Fees paid to D&T December 31, 2008	Fees paid to D&T December 31, 2007
Audit services ⁽¹⁾	\$207,167		\$229,820	\$26,719	\$82,000
Audit-related services ⁽²⁾	\$94,970	\$15,850	\$ 35,580	\$26,200	\$50,742
Tax services ⁽³⁾	\$59,602		\$ 42,500	\$14,173	\$ 4,850
Other services ⁽⁴⁾	\$14,958		\$ 17,796	\$ 7,500	\$345,545
	\$376,697	\$15,850	\$325,696	\$ 74,592	\$483,137

⁽¹⁾ "Audit Services" consist of all fees paid 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 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 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 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.

⁽⁵⁾ Includes \$11,998 paid to Grant Thornton UK for the liquidation of TORR UK Limited.

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 Proxy Circular at Schedule J.

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 Proxy Circular.

David H.Laidley (Chair)
G rard Caron

Renewal of the Stock Option Plan

The Board of Directors wishes to renew the Stock Option Plan which was last approved by Shareholders at the meeting of Shareholders held on December 19, 2007. The rules of the TSX provide that the stock option plan of an issuer must be approved by its security holders every three years after its institution if such plan does not have a fixed maximum number of securities issuable thereunder, which is the case of the Stock Option Plan, which provides that the maximum number of Shares available for issuance thereunder is equal to 10% of the number of Shares outstanding at the time of grant.

Unallocated options were approved by the shareholders of the Corporation at the Corporation's annual general meeting on December 19, 2007. As the three-year term prescribed by the TSX is expiring on December 19, 2010, an ordinary resolution (the "Stock Option Plan Resolution") will be placed before the shareholders to approve the unallocated options. This approval will be effective for three years from the date of the Meeting. If approval is not obtained at the Meeting, options which have not been allocated as of May 13, 2010 and options which are outstanding as of this date and are subsequently cancelled, terminated or exercised will not be available for a new grant of options. Previously allocated options will continue to be unaffected by the approval or disapproval of the resolution.

The Board of Directors is of the view that it is in the best interests of ProSep to renew the Stock Option Plan, which will continue to enable the Board of Directors to grant Options to Directors, employees or consultants of ProSep and its subsidiaries as a means of attracting highly qualified directors, employees, and consultants who will be motivated toward the success of ProSep and to encourage share ownership in ProSep.

The persons named in the enclosed Form of Proxy intend to vote FOR the renewal of the Amended Stock Option Plan, the full text of which is attached hereto as Schedule D. The resolution approving the renewal of the Amended Stock Option Plan (the "Amended Stock Option Plan Resolution") is also attached as Schedule A.

Amendment to the Stock Option Plan

The Board of Directors has amended the Stock Option Plan to limit the number of Options issuable to insiders. As such, the

Amended Stock Option Plan provides that the maximum number of Shares issuable to insiders pursuant to the Stock Option Plan and any other security based compensation arrangements of ProSep is 10 % of the aggregate number of Shares at any time.

Summary of the Amended Stock Option Plan

Eligible participants under the Amended Stock Option Plan are employees, directors and consultants of ProSep and of its subsidiaries or affiliates, as well as employees of a person or company that provides management services to ProSep or any of its subsidiaries. Subject to compliance with the applicable requirements of the TSX, optionees may elect to hold their options in a wholly-owned incorporated entity.

The maximum number of Shares that may be issued under the Amended Stock Option Plan, when combined with all other security-based compensation arrangements of ProSep, is a rolling maximum of 10% of the aggregate number of outstanding Shares of ProSep on a non-diluted basis.

Upon termination or expiration of any Stock Options, the Shares subject to such Stock Options shall be available for other options to be granted from time to time.

ProSep has concurrently a total of 420,000 outstanding Stock Options, representing 0.2% of the aggregate number of outstanding Shares on a non-diluted basis. The total number of Shares issuable under Stock Options is 16,325,591, representing 10% of the aggregate number of outstanding Shares on a non-diluted basis. The previously granted Stock Options will be unaffected by the Shareholders' approval or disapproval of the unallocated entitlements under the Stock Option Plan. Unless Shareholder approval is obtained, however, the Shares subject to previously granted options will not be available for other Stock Options to be granted if the previously granted Stock Options are exercised, are cancelled or expire.

The total number of Shares that are available for future option grants is 15,905,591. These unallocated entitlements are subject to Shareholder approval as hereinafter set forth.

The maximum number of Shares (i) that can be issued to insiders (as defined in the TSX Company Manual) pursuant to the Amended Stock Option Plan and any other security based compensation arrangements of ProSep, is 2% of the aggregate number of Shares, within any one-year period; (ii) that can be issued to any one consultant in any twelve-month period is 2% of the aggregate number of Shares; and (iii) issuable to insiders pursuant to the Amended Stock Option Plan and any other security based compensation arrangements of ProSep is 10 % of the aggregate number of Shares at any time.

The exercise price of each Stock Option is determined by the Board of Directors, but in no event can be lower than the exercise price permitted by the TSX or any other applicable regulatory authority: i.e., the exercise may not be lower than volume weighted average price of the Shares on the TSX for the five trading days immediately before the date of grant, unless the TSX otherwise approves.

The Board of Directors determines the terms, including the expiry date, of each grant of Stock Options. To date, the Board of Directors has always stipulated a five-year duration for Options granted, with vesting as to 25% on the date of grant and vesting as to a further 25% on each of the next three anniversary dates after the grant date.

Early vesting of all unvested Stock Options will occur upon (i) a reorganization, merger or consolidation of ProSep with one or more corporations as a result of which ProSep is not the surviving entity; (ii) the sale of all or substantially all of the property of ProSep; or (iii) the sale of more than 50% of the then outstanding Shares of ProSep.

Stock Options may only be exercised by optionees and cannot be transferred or assigned. In the event of the death of an optionee, the legal representatives of the deceased optionee have one year after the date of death to exercise any vested options. If an optionee ceases to be an eligible participant without cause, the optionee has ninety days after dismissal or termination to exercise any vested options. If an optionee ceases to be an eligible participant for cause, all unexercised options are immediately terminated. If an optionee engaged in providing investor relations activities to ProSep ceases to provide such services to ProSep, the optionee has thirty days after the date of ceasing to provide investor relations activities to exercise any vested options.

The Board of Directors can make amendments to the Stock Options or to the Amended Stock Option Plan that do not adversely affect any Stock Options, without the approval of the Stock Option holders, subject to TSX and regulatory approvals. Shareholders approval should not required for following amendments: (i) amendments of a "housekeeping" nature; (ii) a change to the vesting provisions of any Stock Option; (iii) a change to their termination provisions of any Stock Option that does not entail an extension beyond the original expiration date; (iv) the introduction of a cashless exercise feature; (v) the addition of a form of financial assistance and amendments to the form of financial assistance; (vi) a change to the eligible participants of the Amended Stock Option Plan; and (vii) the addition of a deferred or restricted share unit or any other provision which results in beneficiaries receiving securities without paying cash in return.

Approval of Amended Restricted Share Unit Plan

Amendment to the Restricted Share Unit Plan

At its Meeting held on December 19, 2007, ProSep obtained Shareholder approval for the adoption of a Restricted Share Unit Plan, a copy of which is attached hereto as Schedule E. ProSep's ability to issue Shares under the Restricted Share Unit Plan remained, however, subject to the approval of the TSX. Approval from the TSX was not obtained due to lack of information as part of the Circular dated September 12, 2007. Accordingly, the TSX has requested that the adoption of the Restricted Share Unit Plan be resubmitted to the Shareholders as amended for consideration and, if deemed advisable, approval.

The Board of Directors has amended the RSU Plan to limit the number of RSUs issuable to Insiders, together with Shares issued under any other Share Compensation Arrangement, at all times not to exceed 10 % of the aggregate number of Shares.

The persons named in the enclosed Form of Proxy intend to vote FOR the approval of the Amended Restricted Share Unit Plan, the full text of which is attached hereto as Schedule E. The resolution approving the Amended Restricted Share Unit Plan (the "Restricted Share Unit Plan Resolution") is also attached as Schedule B.

Summary of the Amended Restricted Share Plan

The Amended Restricted Share Unit Plan provides Participants (as defined below) 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.

The eligible participants under the Amended Restricted Share Unit Plan include any consultant, director, officer or employee of ProSep or its subsidiaries (the "**Participants**").

The maximum number of Shares that may be issued under the Amended Restricted Share Unit Plan, when

combined with all other security-based compensation arrangements of ProSep, is a rolling maximum of 10% of the aggregate number of outstanding Shares on a non-diluted basis.

The Amended Restricted Share Unit Plan therefore does not provide any dilution beyond which already exists under the Stock Option Plan. There are currently 420,000 Stock Options outstanding under the Stock Option Plan and ProSep has granted 4,320,000 RSUs, of which 158,222 were forfeited for a net figures of 4,161,778, representing approximately 2.5% of the issued and outstanding Shares calculated on a non-diluted basis. As a result, the total number of Shares issuable under the Amended Restricted Share Unit Plan and the Stock Option Plan is 11,743,813 Shares (or approximately 7.1% of the issued and outstanding Shares).

An RSU is exercisable into one Share or the cash equivalent at the end of a restricted period of time which may be subject to the attainment of certain performance objectives (the "**Vesting Dates**"). The Board of Directors determines the terms of each grant of RSUs. RSUs vest upon the fulfillment of the vesting conditions set out in each grant agreement provided to the Participant.

The maximum number of Shares issued to insiders (as defined in the TSX Company Manual) pursuant to the Amended Restricted Share Unit Plan and any other security based compensation arrangements of ProSep, is 2% of the aggregate number of Shares, within any one-year period, and the maximum number of Shares issuable to insiders pursuant to the amended Restricted Share Unit Plan and any other security based compensation arrangements of ProSep is 10 % of the aggregate number of Shares at any time. The maximum number of Shares reserved for issuance to any one person under the Amended Restricted Share Unit Plan and any other security based compensation arrangements is 5% of the aggregate number of Shares.

Early vesting of all unvested RSUs will occur upon a change of control if the Participant is not retained in the same or greater capacity by the continuing entity for 12 months after the change of control. A change of control is defined as (i) the acquisition by any person or group of persons acting in concert of more than 50% of the then outstanding Shares and the election by such person or group of a majority of the Board of Directors; (ii) the sale of all or substantially all of the assets of ProSep; or (iii) the winding up or liquidation of ProSep.

Upon the retirement, death or disability of a Participant (the "**Termination Date**"), all RSUs which have not yet vested as at the Termination Date held by such Participant shall terminate and become null and void, unless otherwise determined by the Board of Directors. Under the terms of the Amended Restricted Share Unit Plan, the Board of Directors shall have the power to permit the vesting of any unvested RSU outstanding and granted to any Participant and such RSU then outstanding and granted to any Participant shall be deemed to be immediately vested.

Subject to TSX and any regulatory approvals, the Board of Directors may amend the Amended Restricted Share Unit Plan or any RSU at any time without the consent of the Participants provided that such amendment shall not adversely alter or impair any RSU granted and that, where required, Shareholder approval is obtained. Shareholder approval shall not be required for the following amendments: (i) amendments to the definitions within the Restricted Share Unit Plan and other amendments of a clerical nature; (ii) a change to the vesting conditions of any RSU (iii) a change to the expiry date; (iv) a change to the eligible participants of the Restricted Share Unit Plan; (v) amendments as are necessary for the purpose of complying with any changes in any relevant law, regulation, TSX or regulatory requirement (vi) any amendments to rectify or correct any ambiguity, defective provision, error or omission in the Restricted Share Unit Plan. The Board may also discontinue the Restricted Share Unit Plan at any time without the consent of the Participants provided that such discontinuance shall not adversely alter or impair any RSU previously granted.

The rights or interests of a Participant under the Restricted Share Unit Plan are not assignable or transferable, other than by will or the laws governing the devolution of property in the event of death or incompetency.

SPECIAL BUSINESS OF THE MEETING

The Meeting will be constituted as an annual as well as a special meeting. As part of the special business set of in the Notice of Meeting, Shareholders will be asked to consider and vote to approve the Consolidation Resolution (as defined below). To be effective, the consolidation of the Shares at a consolidation ratio in the range of 1-for-2 up to 1-for-20 (the "Consolidation") must be approved by a special resolution passed by not less than two-thirds of the votes cast by the Shareholders voting in person or by proxy at the Meeting. A copy of the Consolidation Resolution (as defined below) is set out in Schedule C of this Proxy Circular.

The persons named in the enclosed Form of Proxy intend to vote FOR the approval of the Consolidation.

PROPOSED CONSOLIDATION OF SHARES

General

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to adopt a special resolution approving an amendment to the Articles to consolidate ProSep's issued and outstanding Shares, the full text of which is set forth in Schedule "C" to this Proxy Circular (the "**Consolidation Resolution**"). By resolution approved on March 10, 2010, the Board of Directors authorized the submission of the Consolidation Resolution to the Shareholders. If the Consolidation Resolution is approved, the Board of Directors will have the authority, in its sole discretion, to select the exact consolidation ratio, provided that (i) the ratio may be no smaller than two (2) pre-consolidation Shares for every one (1) post-consolidation Share and no larger than twenty (20) pre-consolidation Shares for every one (1) post-consolidation Share, and (ii) the number of pre-consolidation Shares in the ratio must be a whole number. Subject to the approval of the TSX, approval of the Consolidation Resolution by Shareholders would give the Board of Directors authority to implement the Consolidation at any time prior to May 13, 2011. In addition, notwithstanding the approval of the proposed Consolidation by Shareholders, the Board of Directors, in its sole discretion, may revoke the Consolidation Resolution, and abandon the Consolidation without further approval or action by or prior notice to Shareholders.

Reasons for the Consolidation

The proposed Consolidation may provide certain benefits to ProSep, its stakeholders and shareholders. The current low trading prices of ProSep's publicly traded Shares may have a negative impact on the efficient trading of such Shares. In particular, certain institutional investors and investment funds may be prevented under their investment policies from investing in companies with a share price below a certain threshold. As well, certain investment banks and brokerage firms will not provide market analysis for low priced stock on a consistent basis or may charge a greater percentage commission on low priced stock than that which would be charged on a transaction of a similar dollar amount but have fewer shares. These circumstances may adversely impact trading in Shares. The Board of Directors believes that Shareholder approval of a range of potential Consolidation ratios (rather than a single Consolidation ratio) provides the Board of Directors with maximum flexibility to achieve the desired results of the share Consolidation. If the Consolidation Resolution is approved, the Consolidation would only be implemented, if at all, upon a determination by the Board of Directors that it is in the best interests of ProSep and its Shareholders at that time. In connection with any determination to implement the Consolidation, the Board of Directors will set the timing for such Consolidation and set out the specific ratio from within the range of ratios set forth in the Consolidation Resolution. The Board of Directors' selection of the specific ratio will be based primarily on the price level of the Shares at the time and expected stability of that price level. The Board of Directors believe that Shares will be more attractive to new investors if it is priced substantially above the present level and that a Consolidation is the most efficient means of achieving an increase in stock price. The Consolidation Resolution will also authorize the Board of Directors to elect not to proceed with, and abandon, the Consolidation at any time if it determines, in its sole discretion, to do so. The Board of

Directors would exercise this right if it determined that the Consolidation was no longer in the best interest of ProSep and its Shareholders. No further action by or prior notice to Shareholders will be required in order for the Board of Directors to implement or abandon the Consolidation.

As a result, the Board of Directors has determined that it is in the best interest of ProSep to effect the Consolidation Resolution, giving the Board of Directors the authority to effect, at their discretion, a future Consolidation.

Risks Associated with the Consolidation

Despite the expected immediate increase of the market value of the Shares following the Consolidation, the future effect of the Consolidation on the market price of the Shares cannot be accurately predicted.

In particular, there is no assurance that the market price for the Shares after the Consolidation will equal or exceed a direct arithmetic result of the Consolidation (that is, from two to twenty times the pre-consolidation share prices, depending on the ratio selected by the Board of Directors) since there are numerous factors and contingencies which would affect such price, including the status of the market for the Shares at the time, ProSep's reported results of operations in future periods and the general economic, political, stock market and industry conditions. Furthermore, there can be no assurance that the proposed Consolidation will achieve the desired results which have been discussed above.

There can be no assurance that any increase in the market price of the Shares resulting from the Consolidation will be sustainable. If the Consolidation is implemented and the market price of the Shares decline, the percentage decline may be greater than would occur in the absence of the Consolidation.

There can be no assurance that Consolidation will result in a per Share market price that will attract institutional investors or investment funds or that such price will satisfy the investment policies of institutional investors or investment funds.

Principal Effects of the Consolidation

The Consolidation will affect all Shareholders uniformly and will not affect any Shareholder's percentage ownership interest in ProSep, except to the extent that the Consolidation would otherwise result in any Shareholder owning a fractional share (see "**Effect on Fractional Shares**"). In addition, the Consolidation will not affect any Shareholder's proportionate voting rights (subject to the treatment of fractional shares).

The principal effects of the Consolidation will be that:

- The number of Shares issued and outstanding will be reduced from approximately 163.3 million Shares as of March 10, 2010 to between approximately 81.6 million to approximately 8.2 million Shares, depending on the ratio selected by the Board of Directors.

The following table sets out the approximate percentage reduction in the number of outstanding Shares that would be outstanding as a result of a Consolidation and the ratios indicated:

Proposed Consolidation Ratio	Approximate Percentage Reduction in Number of Outstanding Shares	Approximate Number of Outstanding Voting Shares (Post-Consolidation)
------------------------------	--	--

1-for-2	50%	81.6 million
1-for-5	80%	32.6 million
1-for-10	90%	16.3 million
1-for-20	95%	8.2 million

- The number of Shares reserved for issuance under the Stock Option Plan and the Amended Restricted Share Unit Plan will be reduced proportionately based on the Consolidation ratio selected by the Board of Directors.
- The exercise or conversion price and/or the number of Shares of ProSep issuable under ProSep's outstanding Stock Options and RSUs will be proportionately adjusted upon the Consolidation based on the Consolidation ratio selected by the Board of Directors with any fraction rounded down to the next whole number. In addition, the Consolidation may result in some Shareholders owning "odd lots" of less than 100 or 500 Shares (depending on the Share price at the time) on a post-consolidation basis. Odd lots may be more difficult to sell, or require greater transaction costs per Share to sell, than Shares in "board lots" of even multiples of 100 or 500 Shares, as applicable.

Effect on Fractional Shares

No fractional Shares will be issued pursuant to the Consolidation. In lieu of any such fractional securities, each registered shareholder of ProSep otherwise entitled to a fractional interest in a post-Consolidation Share will receive the nearest whole number of post-Consolidation Shares. For greater certainty, any fractional interest representing less than 0.5 of a post-Consolidation Share will not entitle the holder thereof to receive a post-Consolidation Share and any fractional interest representing 0.5 or more of a post-Consolidation Share will entitle the holder thereof to receive one whole post-Consolidation Share. In calculating such fractional interests, all shares registered in the name of or beneficially held by such Shareholder or its nominee shall be aggregated.

Procedure for Implementing the Consolidation

If the Consolidation Resolution is duly passed at the Meeting, and the Board of Directors decides, at its sole discretion, to implement the Consolidation, the Board of Directors will file articles of amendment (the "**Articles of Amendment**") with the Director appointed under the CBCA, to give effect to the changes described herein. Upon filing of the Articles of Amendment, the Shares will be consolidated into new Shares as set out above effective on the date shown in the certificate of amendment issued by the Director under the CBCA, or such other date indicated in the Articles of Amendment provided that in any event, such date will be prior to May 13, 2011. In accordance with the rules of the TSX, a new CUSIP number will be assigned and replacement Share certificates will be issued for each such Share. Should the Board of Directors decide to proceed with a Consolidation, letters of transmittal will be sent to each shareholder. To obtain a new Share certificate evidencing the Shares after given effect to the Consolidation, Shareholders must tender the certificates evidencing the pre-Consolidation Shares held by them with the letter of transmittal.

Effect on Non-registered Shareholders

Non-registered Shareholders holding their Shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have different procedures for processing the Consolidation

than those that will be put in place by ProSep for registered Shareholders, and their procedures may result, for example, in differences in the precise number of Shares issued to you in lieu of fractional share interests. If you hold your Shares with such a bank, broker or other nominee and if you have questions in this regard, you are encouraged to contact your nominee.

Effect on Share Certificates

If the proposed Consolidation is approved by Shareholders and implemented, registered Shareholders will be required to exchange their share certificates representing pre-Consolidation Shares for new share certificates representing post-Consolidation Shares. Following the announcement by ProSep of the Consolidation ratio selected by the Board of Directors and the effective date of the Consolidation, registered Shareholders will be sent a letter of transmittal from ProSep's transfer agent, Computershare Investor Services Inc., as soon as practicable after the effective date of the Consolidation. The letter of transmittal will contain instructions on how to surrender your certificate(s) representing your pre-Consolidation Shares to the transfer agent. The transfer agent will forward to each registered Shareholder who has sent the required documents a new Share certificate representing the number of post-Consolidation Shares to which the Shareholder is entitled. Until surrendered, each share certificate representing pre-Consolidation Shares will be deemed for all purposes to represent the number of whole post-Consolidation Shares, to which the holder is entitled as a result of the Consolidation.

No Dissent Rights

Under the CBCA, Shareholders do not have dissent and appraisal rights with respect to the proposed Consolidation.

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, 2010 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 \$57,500 over the course of the financial year ended December 31, 2009 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

ProSep is a reporting issuer and 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.

ProSep's disclosure of corporate governance practices is set out in Schedule F to this 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;
- (ii) a review of the mandate of the Board of Directors (attached hereto as Schedule G);
- (iii) a review of a position description for the Chairman of the Board of Directors (attached hereto as Schedule H);
- (iv) a review of a position description for the President and Chief Executive Officer (attached hereto as Schedule I);
- (v) a review of the mandate of the Audit Committee and of the HR&CG Committee (attached hereto respectively as Schedules J and L);
- (vi) a review of a position description for the Audit and HR&CG Committee Chair (attached hereto respectively as Schedules K and M); 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 2015 Peel Street, Suite 630, Montreal, Québec, H3A 1T8, the following:

- (i) one copy of the comparative consolidated financial statements of ProSep for its most recently completed financial year, together with the accompanying report of the auditors thereon, both contained in ProSep's 2009 Annual Report, and one copy of any of the quarterly financial statements of ProSep pertaining to the 2009 fiscal year, together in all cases, with ProSep's management discussion and analysis of the financial condition and results of operations of ProSep for the applicable period, which contain financial information of ProSep;
- (ii) one copy of the Annual Information Form dated March 10, 2010; and
- (iii) one copy of this Notice of Annual and Special Meeting of Shareholders and the Proxy Circular.

The above documents, as well as ProSep's news releases, are also available on SEDAR at www.sedar.com. Additional information relating to ProSep is also available on SEDAR at www.sedar.com.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no Director or Officer or other insiders of ProSep, nor any associate or affiliate of the foregoing persons, has any substantial interest, direct or indirect, in any material transaction since the commencement of ProSep's last financial year.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTER TO BE ACTED UPON

No Director or Officer, nor their associates or affiliates, 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 as set forth herein.

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 Form of Proxy given pursuant to the solicitation by Management will be voted on such matters in accordance with the best judgment of the persons voting it.

APPROVAL OF MANAGEMENT PROXY CIRCULAR

The undersigned hereby certifies that the contents and the mailing to the Shareholders of this Proxy Circular have been approved by the Directors.

DATED at Montreal, Québec, this 10th day of March, 2010.

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

(s) Jacques L. Drouin

Jacques L. Drouin
President and Chief Executive Officer

SCHEDULE A

AMENDED STOCK OPTION PLAN RESOLUTION

BE IT RESOLVED, BY RESOLUTION OF THE SHAREHOLDERS, THAT:

1. the renewal of the amended stock option plan of ProSep Inc. ("**ProSep**"), as attached to the management information circular dated March 10, 2010 as Schedule D, (the "**Amended Stock Option Plan**"), be and the same is hereby, ratified, confirmed and approved;
2. that all unallocated options issuable pursuant to the Stock Option Plan be and are hereby approved and authorized until May 13, 2013, that is until the date that is three years from the date on which the present resolution by the shareholders of ProSep was adopted (the "**Shareholders**");
3. that the Stock Option Plan limit the number of Options issuable to insiders, at any time, under all security based compensation arrangements, to 10% of issued and outstanding Shares.
4. any officer or director of ProSep be and is hereby authorized and directed, acting for and on behalf of ProSep, to execute and deliver such other documents and instruments and to do or cause to be done all such other acts and things as may in the opinion of such director or officer of ProSep be necessary or advisable to carry out the intent of the foregoing resolution; and
5. notwithstanding that this resolution has been duly passed by the Shareholders, the board of directors of ProSep is hereby authorized to revoke these resolutions at any time before they are acted upon, without further approval of the Shareholders.

SCHEDULE B

AMENDED RESTRICTED SHARE UNIT PLAN RESOLUTION

BE IT RESOLVED, BY RESOLUTION OF THE SHAREHOLDERS, THAT:

1. the adoption of the Amended Restricted Share Unit Plan of ProSep Inc. ("**ProSep**") as approved by the board of directors of ProSep (the "**Board**") on March 10, 2010 and as attached to the management information circular dated March 10, 2010 as Schedule E (the "**Amended Restricted Share Unit Plan**") for which renewal will be subject to obtaining shareholder approval every three years from the date of the present resolution, and the reservation for issuance under the Amended Restricted Share Unit Plan of that number of common shares of ProSep (the "**Shares**") that is equal to 10% of the issued and outstanding Shares of the Company at that time when combined with all other security-based compensation arrangements of ProSep, be and are hereby authorized and approved;
2. any officer or director of ProSep be and is hereby authorized and directed, acting for and on behalf of ProSep, to execute and deliver such other documents and instruments and to do or cause to be done all such other acts and things as may in the opinion of such director or officer of ProSep be necessary or advisable to carry out the intent of the foregoing resolution; and
3. notwithstanding that this resolution has been duly passed by the Shareholders, the Board is hereby authorized to revoke these resolutions at any time before they are acted upon, without further approval of the Shareholders.

SCHEDULE C
CONSOLIDATION RESOLUTION

BE IT RESOLVED, BY SPECIAL RESOLUTION OF THE SHAREHOLDERS, THAT:

ProSep Inc. ("**ProSep**") is hereby authorized to amend its Articles of Continuance to provide that:

1. The authorized capital of ProSep is altered by consolidating all of the issued and outstanding shares of ProSep on the basis of a consolidation ratio to be selected by the Board of Directors, in its sole discretion, provided that (i) the ratio may be no smaller than two (2) pre-consolidation shares for every one post-consolidation share and no larger than twenty (20) pre-consolidation shares for every one post-consolidation share, and (ii) the number of pre-consolidation shares in the ratio must be a whole number of Shares (the "**Consolidation**").

2. In the event that the Consolidation would otherwise result in the issuance of a fractional share, each registered shareholder of ProSep otherwise entitled to a fractional interest in a post-Consolidation Share will receive the nearest whole number of post-Consolidation Shares. For greater certainty, any fractional interest representing less than 0.5 of a post-Consolidation Share will not entitle the holder thereof to receive a post-Consolidation Share and any fractional interest representing 0.5 or more of a post-Consolidation Share will entitle the holder thereof to receive one whole post-Consolidation Share.

3. The effective date of such Consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the *Canada Business Corporations Act* (the "**CBCA**"), or such other date indicated in the articles of amendment provided that, in any event, such date shall be no later than May 13, 2011.

4. Any officer or director of ProSep is hereby authorized to execute and deliver all documents and to do all acts and things necessary or desirable to give effect to this special resolution, including, without limitation, the determination of the effective date of the Consolidation and the delivery of articles of amendment in the prescribed form to the Director appointed under the CBCA, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination; and

5. Notwithstanding the foregoing, the directors of ProSep are hereby authorized, without further approval of or notice to the shareholders of ProSep, to revoke this special resolution at any time before a certificate of amendment is issued by the Director appointed under the CBCA.

SCHEDULE D
STOCK OPTION PLAN

AMENDED AND RESTATED
STOCK OPTION PLAN

Article 1. PURPOSE OF PLAN

- 1.1 The purpose of the Stock Option Plan, which plan amends and restates the Corporation's incentive stock option plan adopted in January of 2001 and amended in October of 2003, (the "Plan") of TORR Canada Inc. (the "Corporation"), a corporation incorporated under the Canada Business Corporations Act (the "CBCA"), is to advance the interests of the Corporation by encouraging the directors (the "Directors"), the employees (the "Employees") and the consultants (the "Consultants") of the Corporation and of its subsidiaries or affiliates, if any, by providing them with the opportunity, through options, to acquire common shares of the Corporation (the "Shares"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

Article 2. ADMINISTRATION OF PLAN

- 2.1 The Plan shall be administered by the Board of Directors of the Corporation or by a committee of the directors appointed from time to time by the Board of Directors of the Corporation pursuant to rules of procedure fixed by the Board of Directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation is hereinafter referred to as the "Board"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.
- 2.2 Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all Optionees (as defined herein) under the Plan and on their legal personal representatives and beneficiaries.
- 2.3 Each option to purchase Shares (an "Option") granted hereunder shall be evidenced by an agreement in writing, signed on behalf of the Corporation and by the Optionee (as defined herein), in the form prescribed under Schedule A or such other form as may be approved by the Board. Each such agreement shall recite that it is subject to the provisions of this Plan.
- 2.4 Each Option granted by the Corporation prior to the date of the approval of the Plan by the Shareholders of the Corporation, including Options granted under previously approved stock option plans of the Corporation, be and are continued under and shall be subject to the terms of the Plan after the Plan has been approved by the shareholders of the Corporation (the "Shareholders").

Article 3. STOCK EXCHANGE RULES

- 3.1 All Options granted pursuant to the Plan shall be subject to rules and policies of the Toronto Stock Exchange (the "Exchange") and any stock exchange or exchanges on which the Shares are then listed and any other regulatory body having jurisdiction hereinafter.

Article 4. SHARES SUBJECT TO PLAN

- 4.1 Subject to adjustment as provided in Article 16 hereof, the Shares to be offered under the Plan shall consist of authorized but unissued Shares. The aggregate authorized number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding Shares from time to time. If any Option granted hereunder shall expire or terminate for any reason in accordance with the

terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

Article 5. MAINTENANCE OF SUFFICIENT CAPITAL

- 5.1 The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

Article 6. ELIGIBILITY AND PARTICIPATION

- 6.1 Directors, Employees, Consultants and employees of a person or company which provides management services to the Corporation or any of its subsidiaries (the "Management Company Employees") shall be eligible for selection to participate in the Plan (collectively, the "Optionees" and individually, an "Optionee"). Subject to compliance with applicable requirements of the Exchange, Optionees may elect to hold Options granted to them in an incorporated entity wholly-owned by them and such entity shall be bound by the Plan in the same manner as if the Options were held by the Optionee.
- 6.2 Subject to the terms hereof, the Board shall determine to whom Options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such Options shall be granted and vested, and the number of Shares to be subject to each Option.
- 6.3 The Corporation represents that, in the event that the Corporation wishes to grant Options under the Plan to Employees, Consultants or Management Company Employees, it will only grant such Options to Optionees who are bona fide Employees, Consultants or Management Company Employees, as the case may be.
- 6.4 An Optionee who has been granted an Option may, if such Optionee is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional Option or Options if the Board shall so determine.

Article 7. EXERCISE PRICE

- 7.1 The exercise price of the Shares shall be determined by the Board at the time any Option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange or any other applicable regulatory authority.
- 7.2 Subject to approval by the Exchange, once the exercise price has been determined by the Board and the Option has been granted, the exercise price of an Option may be reduced upon receipt of Board approval, provided that in the case of Options held by Insiders of the Corporation (as such term is defined under the Securities Act (Québec)), the exercise price of an Option may be reduced only if disinterested shareholder approval is obtained.

Article 8. NUMBER OF OPTIONED SHARES

- 8.1 The number of Shares subject to an Option granted to any one Optionee shall be determined by the Board, but no one Optionee shall be granted an Option which exceeds the maximum number permitted by the Exchange or any other applicable regulatory authority.
- 8.2 No single Optionee may be granted Options to purchase a number of Shares equaling more than 5% of the issued Shares in any twelve-month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.
- 8.3 Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares in any twelve-month period to any one Consultant.
- 8.4 The maximum number of Shares issued to insiders (as defined in the TSX Company Manual) pursuant to the Stock Option Plan and any other security based compensation arrangements of ProSep, is 2% of the aggregate number of Shares, within any one-year period.

- 8.5 The maximum number of Shares issuable to insiders (as defined in the TSX Company Manual) pursuant to the Stock Option Plan and any other security based compensation arrangements of ProSep, is 10% of the aggregate number of Shares at any time.

Article 9. DURATION OF OPTION

- 9.1 Each Option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Article 11 and Article 12, provided that in no circumstances shall the duration of an Option exceed the maximum term permitted by the Exchange or any other applicable regulatory authority.

Article 10. OPTION PERIOD, CONSIDERATION AND PAYMENT

- 10.1 The Option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the Option period shall be reduced with respect to any Option as provided in Article 11 and Article 12 covering cessation as a Director, Consultant, Employee or Management Company Employee or death of the Optionee.
- 10.2 Should the Option Period fall within a period during which designated employees of the Corporation cannot trade the Common Shares pursuant to the Corporation's policy respecting restrictions on employee trading which is in effect at that time (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Corporation or in respect of an insider, that insider, is subject) (a "Black Out Period") or within nine business days following the expiration of a Black Out Period, such expiration date shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the Black Out Period, such tenth business day to be considered the expiration date for such Option for all purposes under the Plan. Notwithstanding Article 20, the ten business day period referred to in this Section 10.2 may not be extended by the Board.
- 10.3 Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, or that no vesting restriction shall exist.
- 10.4 Subject to any vesting restrictions imposed by the Board, Options may be exercised in whole or in part at any time and from time to time during the Option period. To the extent required by the Exchange, no Options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the Shareholders of the Corporation.
- 10.5 Except as set forth in Article 11 and Article 12, no Option may be exercised unless the Optionee is, at the time of such exercise, a Director, a Consultant, an Employee or a Management Company Employee.
- 10.6 The exercise of any Option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, addressed to the Secretary of the Corporation, specifying the number of Shares with respect to which the Option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the Option is exercised. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment. No Optionee or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares unless and until the certificates for the Shares issuable pursuant to Options under the Plan are issued to him or them under the terms of the Plan.
- 10.7 Notwithstanding any of the provisions contained in this Plan or in any Option, any and all obligations of the Corporation whatsoever to issue Shares to an Optionee pursuant to the exercise of an Option and/or this Plan shall at all times be subject to:
- a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - b) the Corporation being satisfied that the issuance of such Shares shall not (whether with notice or the passage of time or both) breach, violate or be contrary to any of its constituting documents, partnership agreements, applicable laws, regulations, stock exchange rules and policies and agreements to which it is a party;

- c) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed; and
 - d) the receipt from the Optionee of such representations, agreements and undertaking, including as to future dealings in such Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.
- 10.8 In this connection, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any stock exchange on which the Shares are then listed.

Article 11. CEASING TO BE A DIRECTOR, OFFICER, CONSULTANT OR EMPLOYEE

- 11.1 Subject to Section 11.2, if an Optionee ceases to be a Director, Employee, Consultant or Management Company Employee as a result of having been dismissed from any such position for cause, all unexercised Option rights of that Optionee under the Plan shall immediately become terminated and shall lapse, notwithstanding the original term of the Option granted to such Optionee under the Plan.
- 11.2 If an Optionee ceases to be either a Director, Employee, Consultant or Management Company Employee for any reason other than as a result of having been dismissed for cause as provided in Section 11.1 or as a result of the Optionee's death, such Optionee shall have the right for a period of ninety (90) days (or until the normal expiry date of the Option rights of such Optionee if earlier) from the date of ceasing to be either a Director, Employee, Consultant or Management Company Employee to exercise his Option under the Plan to the extent that the Optionee was entitled to exercise it on the date of ceasing to be either a Director, Employee, Consultant or Management Company Employee. Upon the expiration of such 90-day period all unexercised Option rights of that Optionee shall immediately become terminated and shall lapse notwithstanding the original term of the Option granted to such Optionee under the Plan.
- 11.3 Nothing contained in the Plan, nor in any Option granted pursuant to the Plan, shall as such confer upon any Optionee any right with respect to continuance as a Director, Consultant, Employee or Management Company Employee.
- 11.4 Options shall not be affected by any change of employment of any Director, Employee, Consultant or Management Company Employee.

Article 12. DEATH OF OPTIONEE

- 12.1 In the event of the death of any Optionee, the legal representatives of the deceased Optionee shall have the right for a period of one year (or until the normal expiry date of the Option rights of such Optionee if earlier) from the date of death of the deceased Optionee to exercise the deceased Optionee's Option under the Plan to the extent that it was exercisable on the date of death. Upon the expiration of such period all unexercised Option rights of the deceased Optionee shall immediately become terminated and shall lapse notwithstanding the original term of the Option granted to the deceased Optionee under the Plan.

Article 13. RIGHTS OF OPTIONEE

- 13.1 No person entitled to exercise any Option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such Option until certificates representing such Shares shall have been issued and delivered.

Article 14. HOLD PERIOD

- 14.1 Any Shares issued upon the exercise of an Option may be subject to any hold periods that may be required by applicable securities legislation.

Article 15. PROCEEDS FROM SALE OF SHARES

- 15.1 The proceeds from the sale of Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

Article 16. ADJUSTMENTS

- 16.1 If the outstanding Shares are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board in its discretion in the number or kind of Shares optioned and the exercise price per Share, as regards previously granted and unexercised Options or portions thereof, and as regards Options which may be granted subsequent to any such change in the Corporation's capital. Adjustments under this Article shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional shares shall be required to be issued under the Plan on any such adjustment.
- 16.2 Upon the liquidation or dissolution of the Corporation, the Plan shall terminate, and any Options theretofore granted hereunder shall terminate. In the event of a re-organization, merger or consolidation of the Corporation with one or more corporations as a result of which the Corporation is not the surviving corporation, or upon the sale of substantially all of the property or more than fifty (50%) percent of the then outstanding Shares to another corporation (a "Change of Control"), all Options granted which have not yet vested shall immediately vest without consideration as to time or any other vesting provision set forth in the Plan or stock option agreement governing such Options, provided that such vesting is not in violation of the then current policies of the Exchange, if applicable, and all Optionees then entitled to exercise Options then outstanding shall have the right at such time immediately prior to consummation of the Change of Control to exercise their Options to the full extent not theretofore exercised. Upon consummation of the Change of Control, the Plan shall terminate and any Options theretofore granted hereunder that remain unexercised upon termination shall also terminate.

Article 17. TRANSFERABILITY

- 17.1 All benefits, rights and Options accruing to any Optionee in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of an Optionee any benefits, rights and Options may only be exercised by the Optionee.

Article 18. NECESSARY APPROVALS

- 18.1 The ability of an Optionee to exercise Options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from Shareholders and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Optionee for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any Option exercise price paid to the Corporation will be returned to the Optionee.

Article 19. EFFECTIVE DATE OF PLAN

- 19.1 The Plan has been adopted by the Board subject to the approval of the Exchange and the Shareholders, and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

Article 20. AMENDMENT OR DISCONTINUANCE OF PLAN

- 20.1 The Board may amend the Plan or any Option at any time without the consent of the Optionees provided that such amendment shall:
- a) not adversely alter or impair any Option previously granted except as permitted by the provisions of Article 16 thereof;
 - b) be subject to any regulatory approvals including, where required, the approval of the TSX; and
 - c) be subject to shareholder approval, where required by law or the requirements of the TSX, provided that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to:

- amendments of a "housekeeping" nature;
 - a change to the vesting provisions of any Option;
 - a change to the termination provisions of any Option that does not entail an extension beyond the original expiration date (as such date may be extended by virtue of Section 10.2;
 - the introduction of a cashless exercise feature, payable in cash or securities, whether or not such feature provides for a full deduction of the number of underlying securities from the Plan reserve;
 - the addition of a form of financial assistance and any amendment to a financial assistance provision which is adopted;
 - a change to the eligible participants of the Plan; and
 - the addition of a deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the issuer.
- 20.2 The Board may discontinue the Plan at any time without the consent of the Participants provided that such discontinuance shall not adversely alter or impair any Option previously granted.

Article 21. INTERPRETATION

- 21.1 The Plan will be governed by and construed in accordance with the laws of the Province of Québec.
- 21.2 In this Plan, capitalized terms used herein that are not otherwise defined herein shall have the meaning ascribed thereto in the TSX Company Manual or under the Securities Act (Québec).
- 21.3 Nothing in this Plan or in any Option shall confer upon any Director, Employee, Consultant or Management Company Employee any right to continue in the employ of the Corporation or any of its subsidiaries or affect in any way the right of the Corporation or any of its subsidiaries to terminate his employment at any time; nor shall anything in this Plan or in any Option be deemed or construed to constitute an agreement, or an express of intent, on the part of the Corporation or any of its subsidiaries to extend the employment of any Optionee beyond the time that he would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any of its subsidiaries or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any of its subsidiaries.
- 21.4 Nothing in this Plan or any Option shall confer on any Optionee any right to continue providing ongoing services to the Corporation or affect in any way the right of the Corporation or any such entity to terminate his, her or its contract at any time; nor shall anything in this Plan or any Option be deemed or construed as an agreement, or an expression of intent, on the part of the Corporation or any such entity to extend the time for the performance of the ongoing services beyond the time specified in the contract with any such entity.
- 21.5 References herein to any gender include all genders.

APPROVED by the Board, originally accepted and approved as amended and restated on the 12th day of September, 2007 and on the 10th day of March, 2010, as amended and restated, such Plan being effective as of the 17th day of September, 2003, and having been approved by the Shareholders, as amended and restated, on December 19, 2007.

PROSEP INC.

"Jacques L. Drouin "

By: _____

Name: Jacques L. Drouin

Title: President and Chief Executive Officer

SCHEDULE "A" TO STOCK OPTION PLAN

FORM OF SHARE OPTION AGREEMENT

PROSEP INC.

SHARE OPTION AGREEMENT dated the «Day» day of «Month », «Year»

BETWEEN PROSEP INC. incorporated under the *Canada Business Corporations Act* and having its registered office at 2015 Peel, Montreal, Québec, H3A 1T8

(hereinafter called the "Corporation")

AND «Name», being a «DirectorEmployeeConsultant» of the Corporation or one of its subsidiaries or affiliated companies

(hereinafter called the "Optionee")

WITNESSETH:

SHARE OPTION

- a) Pursuant to the Stock Option Plan ("Plan") adopted by the Corporation on September 17, 2003 and approved by the Shareholders of the Corporation on October 24, 2003, a copy of which the Optionee hereby acknowledges receipt, the Corporation hereby gives and grants to Optionee an irrevocable option (the "Option") to purchase, on the terms hereinafter provided and subject to the terms of the Plan (which are incorporated herein by reference), all or any part of «Shares» common shares, without par value ("Shares"), of the share capital of the Corporation at a price in Canadian funds of \$«Dollar» per Share (being the market price of the Shares at ["DATE OF OPTION GRANT"] as determined in accordance with the provisions of the Plan).
- b) As provided under the terms of the Plan, the Option shall terminate and expire **5 years** from the date of granting of the Option unless otherwise terminated or expired by reason of cessation as a «DirectorEmployeeConsultant» of the Corporation or death of Optionee.
- c) The Option may be exercised in part or in whole at any time up to termination or expiration provided that:
 - i) it may not be exercised, with respect to one third (1/3) of the Shares subject to the Option, before ["DATE1" (NTD: one year after date of option grant)] ;
 - ii) it may not be exercised, with respect to an additional third (1/3) of the Shares subject to the Option, before ["DATE2" (NTD: two years after date of option grant)]; and
 - iii) it may not be exercised, with respect to a final third (1/3) of the Shares subject to the Option, before ["DATE3" (NTD: three years after date of option grant)];

and provided further that the Option may be exercised in part or in whole, prior to its termination or expiration, at such other time or times as shall be agreed between the Corporation and Optionee. Any amendment of the expiry date, exercise price or any other term herein stated shall be subject to the approval of the applicable stock exchange on which the Shares are then listed.

METHOD OF EXERCISE OF OPTIONS

Subject to the provisions of the Plan, an Option granted under the Plan shall be exercisable (from time to time as provided in paragraph 1 hereinabove) by the Optionee (or his personal representatives or legatees) upon giving notice in writing to the Corporation (using the form prescribed under Schedule B hereto), to the Secretary at the Corporation's registered office, such notice specifying the number of Shares issuable upon exercise of the number of the Options being exercised and being accompanied by full payment, by cash or certified cheque, of the purchase price for the number of Shares specified therein. Upon such exercise of the Options, the Corporation shall forthwith cause the transfer agent and registrar of the Corporation to deliver to the Optionee (or his personal representatives or legatees) a certificate in the name of the Optionee (or his personal representatives or legatees)

representing in the aggregate such number of Shares as the Optionee (or his personal representatives or legatees) shall have then paid for and as are specified in such written notice of exercise of Options.

DISPUTES

Subject to the provision of Section 1 above, the Optionee hereby acknowledges and agrees that the terms of this Agreement shall be in accordance with the terms of the Plan and the regulatory requirements prevailing at the time.

Any dispute or disagreement which shall arise under or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Board of Directors of the Corporation. Any such determination shall be final, binding and conclusive for all purposes.

WITHHOLDING

Upon the exercise of the Option, the Optionee shall make arrangements satisfactory to the Corporation regarding payment of any federal, provincial, state or local taxes of any kind required by law to be withheld with respect to the exercise of the Option. In addition, the Corporation and its subsidiaries and affiliates shall, to the extent permitted by law, have the right to deduct from any payment of any kind due to the Optionee any federal, provincial, state or local taxes of any kind required by law to be withheld with respect to the exercise of the Option.

NON-ASSIGNABILITY OF OPTIONS

Each Option granted hereunder is personal to the Optionee and shall not be assignable or transferable by the Optionee, whether voluntarily or by operation of law, except by will or by the laws of succession of the domicile of the deceased Optionee. No Option granted hereunder shall be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered.

MISCELLANEOUS

- a) This agreement may be executed by any one or more of the parties hereto and in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. This agreement may be executed by telecopier and any such signature shall be valid and binding.
- b) The parties hereto have declared they have requested that this agreement and all other contracts, documents and certificates related hereto be in the English language. *Les parties aux présentes confirment leur volonté expresse que cette convention et tout contrat, avis ou autre document s'y rattachant, ait été et soit rédigé en anglais.*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

PROSEP INC.

Signature: _____

Name of Authorised signatory: _____

Title: _____

Optionee

Signature: _____

Name: **«Name»**

SCHEDULE "B" TO STOCK OPTION PLAN

NOTICE OF EXERCISE OF OPTION

TO: Secretary of ProSep Inc

The undersigned, _____, hereby subscribes to _____ common shares (the "**Shares**") of ProSep Inc. (the "**Corporation**") at a price of \$ _____ per Share, pursuant to the provisions of the Stock Option Agreement entered into between the undersigned and the Corporation on _____, 20____. The undersigned encloses a cheque made to the order of the Corporation in the amount of \$ _____ representing the full payment of the subscription price for the number of Shares hereby subscribed to.

The certificate representing the Shares subscribed hereby shall be registered under (name of the individual/entity, address) _____, _____ and delivered to (name of the individual/entity, address) _____, _____.

DATED this ____ day of _____, 20____.

SCHEDULE E
AMENDED RESTRICTED SHARE UNIT PLAN
ARTICLE 1 - DEFINED TERMS

Where used herein, the following terms shall have the following meanings, respectively:

"Board" means the board of directors of the Company;

"Business Day" means a day on which there is trading on the Toronto Stock Exchange or such other stock exchange on which the Shares are then listed and posted for trading, and if none, a day that is not a Saturday or Sunday or a national legal holiday in Canada;

"Change of Control" means (i) the acquisition by any person, or group of persons acting jointly or in concert of greater than 50% of the outstanding voting Shares and the election or appointment of such person or persons of their nominees as a majority of the Board; (ii) the sale of all or substantially all of the assets of the Company; or (iii) the winding up or liquidation of the Company or the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Company to any other person or persons (other than pursuant to an internal reorganization or in circumstances where the business of the Company is continued and where the Shares or other security holdings, as the case may be, in the continuing entity and the constitution of the Board or similar body of the continuing entity is such that the transaction would not be considered a "Change of Control" if paragraph (i) above was applicable to the transaction).

"Committee" means the Human Resources and Corporate Governance Committee of the Board;

"Company" means ProSep Inc.. and includes any successor entity thereof;

"Consultant" means an individual, other than an employee or an officer of the Company or any of its Subsidiaries, as applicable, that (a) is engaged to provide on a bona fide basis consulting, technical, management or other services to the Company or any of its Subsidiaries under a written contract between the Company and such individuals or a company of which such individual is an employee or Shareholder, and (b) in the reasonable opinion of the Board, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any of its Subsidiaries;

"Disability" means, with respect to a Participant, any physical or mental illness or disease of the Participant such that the Participant is unable to fulfill his obligations under his employment agreement or consulting agreement with the Company or any of its Subsidiaries, if any, either for any consecutive six month period or for any six month period (whether or not consecutive) in any consecutive 24 month period;

"Expiry Date" means, with respect to a Vested Restricted Share Unit, December 31 of the third year following the year of the Grant Date;

"Fair Market Value" with respect to a Vested Restricted Share Unit as at any date means the weighted average of the prices at which the Shares are traded on the Toronto Stock Exchange (or, if the Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which the Shares are then listed and posted for trading as may be selected for such purpose by the Board) for the five (5) trading days on which the Shares traded on the said Exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Board in its discretion, acting reasonably and in good faith;

"Grant Agreement" means the agreement between the Company and a Participant, in such form as may be approved by the Board, under which a Restricted Share Unit is granted, together with such amendments, deletions or changes thereto as are permitted under the Plan;

"Grant Date" means the date upon which a Restricted Share Unit is granted pursuant to the terms of the Plan;

"Insider" means any insider, as such term is defined in the Toronto Stock Exchange Company Manual;

"Participant" means a director, officer or employee of the Company or of a Subsidiary of the Company, as applicable, or a Consultant, in each case which, in the opinion of the Board, is or holds an appropriate position in or with the Company or a Subsidiary of the Company to warrant participation in this Plan;

"Plan" means this Restricted Share Unit Plan, as the same may be further amended or varied from time to time;

"Restricted Share Unit" means a Restricted Share Unit granted pursuant to Article 3 of this Plan each of which, upon its vesting hereof, entitles the Participant to one Share, all in accordance with the provisions of this Plan;

"Retirement" means, in respect of a Participant that is an employee, the time at which such Participant retires and is entitled to receive benefits pursuant to the Canada Pension Plan or such other equivalent retirement plan as may exist at such time and, in respect of a Participant that is a director, the time at which such Participant reaches the age of mandatory retirement from the Board;

"Shares" means the Shares of the Company;

"Share Compensation Arrangement" means the 2003 Stock Option Plan of the Company or any other share option plan, employee Share purchase plan or any other compensation or incentive mechanism of the Company involving the issuance or potential issuance of Shares to one or more service providers (as defined in the Toronto Stock Exchange Company Manual), including a Share purchase from treasury which is financially assisted by the Company by way of a loan, guaranty or otherwise;

"Subsidiary", in relation to the Company, means any body corporate, trust, partnership, joint venture, association or other entity of which more than 50% of the total voting Shares entitled to vote in the election of directors is owned or controlled, directly or indirectly, by the Company;

"Vested Restricted Share Unit" means any Restricted Share Unit which has vested pursuant to the provisions of Section 5.4 hereof;

"Vesting Conditions" means the financial and other performance objectives to be attained in order for the Restricted Share Units or any portion thereof to become vested from time to time, in whole or in part; and

"Vesting Date" means the date on which the Vesting Conditions are met.

Words importing the singular number only shall include the plural and vice versa, and words importing gender shall include the masculine, feminine and neuter genders. References in this Plan to "this Plan", "hereto", "herein", "hereof", "hereby", "hereunder", and similar expressions shall be deemed, in the absence of express language to the contrary, to refer to this Plan and not to any particular article, section or portion hereof and include any and every agreement or other instrument supplemental or ancillary hereto or in implementation hereof (including but not limited to the various Grant Agreements).

The headings of the articles, sections and clauses are inserted herein for convenience of reference only and shall not affect the meaning of construction thereof.

ARTICLE 2 - PURPOSE OF THE PLAN

The purpose of the Plan is to provide Participants with the opportunity to acquire a proprietary interest in the growth and development of the Company and its Subsidiaries that will be aligned with the interests of the holders of Shares and enhance the Company'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. The Plan provides Participants with compensation in the form of Restricted Share Units that vest over time upon the meeting of certain Vesting Conditions.

ARTICLE 3 - RESTRICTED SHARE UNITS

The incentive compensation bonus contemplated under the Plan will be granted in the form of Restricted Share Units. Where the Board or Committee, as applicable, grants Restricted Share Units to a Participant, such grant shall be in addition to the Participant's regular compensation for services he or she renders in respect of the Company or any of its Subsidiaries in the year of the grant. Each Restricted Share Unit will give the Participant the right to receive, upon each Vesting Date with respect to such portion of the Restricted Share Units which has vested pursuant to the provisions of Section 5.4 hereof and in accordance with the terms of the Grant Agreement relating to such Restricted Share Unit, one company Share for each such Vested Restricted Share Unit.

Further to consultation with the Chief Executive Officer, the Board or the Committee, as applicable, may, in its sole discretion, grant Restricted Share Unit to such Participants as it may determine and determine the Vesting conditions. No person will be entitled as a matter of right to participate in the Plan and the Board or the Committee, as applicable, will be entitled to decide, in its sole discretion, which Participants will have the opportunity to participate in the Plan and the extent of such participation.

Upon the vesting of one or more Restricted Share Units, the Board or the Committee, as applicable, shall direct, in its sole discretion, that the Shares owing to a Participant in respect of any one or more Vested Restricted Share Units granted to such Participant be satisfied, subject to Section 3.4, by the issuance from treasury to such Participant of a number of Shares equal to the number of Vested Restricted Shares.

Pursuant to this Section 3.3 and the terms of a particular Grant Agreement, the Participant shall be entitled to receive and the Company shall issue to the Participant within 15 Business Days following the Vesting Date and not later than

the Expiry Date, the number of Shares contemplated herein.

The issuance from treasury by the Company under the Plan on behalf of a Participant is subject to compliance with the rules of the Toronto Stock Exchange. As a condition of participating in the Plan, each Participant agrees to comply with all such rules and agrees to furnish to the Board or the Committee, as applicable, all information and undertakings as may be required to permit compliance with such applicable rules. Any issuance of Shares under the Plan shall be subject to the provision that, if at any time the Board shall determine, in its sole discretion, that it is not reasonably feasible to comply with such rules or similar rules of the state or country of residence of the Participant, including, without limitation, the requirement to deliver to any Participant resident in the United States, financial statements of the Company reconciled to U.S. generally accepted accounting principles, such Shares may not be issued to such Participant unless such condition is complied with by the Company on terms acceptable to the Board. If Shares may not be issued under the Plan pursuant to this Section 3.4, then the Company may be entitled, in lieu of issuing such Shares, to satisfy its obligation to the Participant upon vesting of any Restricted Share Units, by paying to the Participant, in cash, an amount equal to the Fair Market Value of the Shares otherwise issuable to the Participant, calculated as of the applicable Vesting Date.

Any issuance of Shares under the Plan shall be subject to the provision that the Company may, in its sole discretion, require the Participant to reimburse the Company for any amounts required to be withheld as taxes in respect of the issuance of the Shares to such Participant. In lieu thereof, the issuance of Shares under the Plan is conditional upon the Company's reservation, in its discretion, of the right to withhold, consistent with any applicable law, from any compensation or other amounts payable to the Participant, any amounts required to be paid by the Company to any taxing or other governmental authority on behalf of the Participant or its own behalf under any federal, state, provincial or local law as a result of the issuance of Shares under the Plan.

To the extent that compensation or other amounts, if any, payable to the Participant are insufficient to pay any amounts required to be so paid by the Company, the Company may, in its sole discretion, require the Participant, as a condition to the issuance of Shares from treasury under the Plan, to pay in cash or by certified cheque to the Company an amount sufficient to cover such liability or otherwise make adequate provision to the Company's satisfaction of its obligations under federal, state, provincial and/or local law, and the Company is authorized, without limitation, (i) to hold the Share certificate to which the Participant is entitled upon the issuance of such Shares as security for the payment of such obligation, until cash sufficient to pay that liability has accumulated; (ii) to retain some or all of the Shares issuable in connection with such issuance under the Plan, having a fair market value at the date of the issuance of such Shares which is equal to the amount of the Company's obligations set forth above; or (iii) to direct the Participant's selling broker to withhold from the proceeds realized from the sale of such Shares an amount which is equal to the Company's obligations set forth above and to pay such amount directly to the Company.

ARTICLE 4- SHARES SUBJECT TO THE PLAN

The number of Shares reserved at any time for issuance pursuant to issuances or purchases under the Plan of Vested Restricted Shares may not exceed 10% of the issued and outstanding common shares of the Company at that time provided that the number of Issuable Shares shall be reduced by the number of Shares issuable under any other Share Compensation Arrangement. This prescribed maximum may be subsequently increased to any other specified amount, subject to the approval of the stock exchange or exchanges on which the Shares are listed and such Shareholder approvals as may be required by such exchanges.

Any grant of Restricted Share Units under the Plan shall be subject to the following restrictions:

the number of Restricted Share Units issued to Insiders, together with Shares issued under any other Share Compensation Arrangements, within a one-year period, must not exceed 2% of the aggregate number of Shares;

the number of Restricted Share Units issuable to Insiders, together with Shares issuable under any other Share Compensation Arrangements, at all times, must not exceed 10% of the aggregate number of Shares;

the number of Shares reserved for issuance to any one person pursuant to issuances or purchases under the Plan of Vested Restricted Share Units, together with Shares reserved for issuance under any other Share Compensation Arrangements, must not exceed 5% of the aggregate number of Shares;

If any Restricted Share Unit granted under this Plan shall expire or terminate for any reason without having been converted or exercised in full, any unpurchased or unissued, as the case may be, Shares to which such Restricted Share Units relate shall be available for the purposes of being issued upon the exercise of further Restricted Share Units granted hereunder.

ARTICLE 5- GRANT AND VESTING OF RESTRICTED SHARE UNITS

Each grant of a Restricted Share Unit will be set forth in a Grant Agreement containing terms and conditions required

in this Article 5 and such other terms and conditions not inconsistent herewith as the Board, in its sole discretion, may deem appropriate including the Vesting Conditions. Before the initial grant of a Restricted Share Unit to a Participant, a copy of the Plan will be delivered to such Participant.

Restricted Share Units may be granted by the Board or the Committee, as applicable, to any Participant in respect of services rendered (or to be rendered) by the Participant in the year of the grant.

Except as otherwise provided herein and subject to the terms hereof, the number of Restricted Share Units subject to each grant, the Vesting Dates with respect to each grant of Restricted Share Units and other terms and conditions relating to each such Restricted Share Unit shall be determined by the Board or the Committee. The Board or the Committee may, in its discretion, subsequent to the time of granting Restricted Share Units, permit the vesting of all or any portion of unvested Restricted Share Units then outstanding and granted to the Participant under this Plan, in which event all such unvested Restricted Share Units then outstanding and granted to the Participant shall be deemed to be immediately vested.

Restricted Share Units granted hereunder shall, unless otherwise determined by the Board or the Committee, as applicable, vest upon the fulfillment of the Vesting Conditions set out in the Grant Agreement.

ARTICLE 6– TERMINATION, RETIREMENT AND CHANGE OF CONTROL

Notwithstanding the provisions of Section 5.4 hereof and subject to any express resolution passed by the Board with respect to the grant of Restricted Share Units to any one or more Participants, (a) in the event of the resignation of a Participant as an employee of the Company or its Subsidiaries, or the termination of the employment of a Participant with the Company or its Subsidiaries for any reason (and whether or not such termination is with reasonable notice); (b) where a Participant ceases to be a Consultant; or (c) where a Participant ceases to be a director of a Subsidiary of the Company, as the case may be, and, in each of the above circumstances, where such Participant does not otherwise continue to qualify hereunder as a Participant, any Restricted Share Units granted to such Participant hereunder which have not yet vested as at the effective date of such resignation, termination or ceasing to act, as the case may be, shall terminate and become null and void as of such date.

Upon the Retirement, death or Disability of a Participant, other than as specified herein, any Restricted Share Units granted to such Participant hereunder which have not yet vested as at the date of the Retirement, death or Disability (in this Section, the "Termination Date") shall terminate and become null and void.

In the event of a Change of Control and provided that, as a result of such Change of Control, such Participant is not retained by the continuing entity at any time within twelve (12) months following the Change of Control, in substantially the same, or greater capacity, as such Participant was retained by the Company immediately prior to such Change of Control, all Restricted Share Units granted to such Participant hereunder which have not yet vested shall vest immediately upon the Board or the Committee, as applicable, receiving confirmation that such Participant has not been retained in said capacity following the effective date of such Change of Control.

For greater certainty, a person's status as a Participant and any grant of Restricted Share Units hereunder shall not be affected by the Participant ceasing to be a director, officer or employee of the Company or a Subsidiary or a Consultant, provided that the Participant continues to otherwise qualify as a Participant hereunder and to be eligible to receive grants of Restricted Share Units under the provisions of this Plan.

In the event of the occurrence of a Change of Control, including a Change of Control whereby as a consequence of which the Shares are no longer listed on any stock exchange, appropriate provisions, as applicable, shall be made for the continuance of the Restricted Share Units outstanding under this Plan and to prevent their dilution or enlargement in accordance with Section 7.2 hereof.

ARTICLE 7- AMENDMENT AND TERMINATION

The Board may amend the Plan or any Restricted Share Unit at any time without the consent of the Participants provided that such amendment shall:

not adversely alter or impair any Restricted Share Unit previously granted;

be subject to any regulatory approvals including, where required, the approval of the TSX; and

be subject to shareholder approval, where required by law or the requirements of the TSX, provided that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to:

- amendments to the definitions within the Plan and other amendments of a clerical nature;
- a change to the Vesting Conditions of any Restricted Share Unit
- a change to the Expiry Date;
- a change to the eligible participants of the Plan;
- amendments as are necessary for the purpose of complying with any changes in any relevant law, regulation, regulatory requirement or requirement of any applicable stock exchange or regulatory authority; or
- any amendments to rectify or correct any ambiguity, defective provision, error or omission in the Plan.

The Board may discontinue the Plan at any time without the consent of the Participants provided that such discontinuance shall not adversely alter or impair any Restricted Share Unit previously granted.

ARTICLE 8- NO TRANSFER OR ASSIGNMENT OF PARTICIPANTS' RIGHTS

Restricted Share Units are not assignable or transferable by a Participant in whole or in part, either directly, by operation of law or otherwise, except through devolution by death or incompetency, and no right or interest of any Participant under the Plan or to receive Shares hereunder shall be liable for or subject to any obligation or liability of such Participant.

ARTICLE 9 - ADMINISTRATION AND INTERPRETATION

Nothing in the Plan shall be construed as giving any Participant the right to be retained in the employ of the Company or any of its Subsidiaries or any right to any payment whatsoever except to the extent of the benefits provided for by the Plan. The Company and its Subsidiaries expressly reserve the right to dismiss any Participant at any time without liability for the effect which such dismissal might have upon him as a Participant of the Plan other than as expressly provided for herein. No reasonable notice or payment in lieu thereof will extend the period of employment for purposes of the Plan.

The Plan shall be administered by the Board or the Committee if such authority is delegated to the Committee by resolution of the Board. All references to the Committee herein, shall, in the absence of such resolution, shall deemed to refer to the Board.

The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:

to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan; and

to interpret and construe the Plan and to determine all questions arising out of the Plan or the purchase or issuance of Shares under the Plan.

ARTICLE 10 - LIABILITY

Neither the Board or the Committee, the Company or any person acting on their direction or authority shall be liable for anything done or omitted to be done by the Board, the Company or any such person with respect to the price, time, quantity or other conditions and circumstances of the issuance or purchase of Shares under the Plan or with respect to any fluctuations in the market price of the Shares or in any other connection under the Plan, unless such act or omission constitutes wilful misconduct or gross negligence on the part of the Board, the Company or any such person.

ARTICLE 11- GOVERNMENTAL REGULATIONS

The Company's obligation to issue and deliver or to cause to be purchased and delivered Shares under the Plan is subject to the approval of any governmental authority required in connection with the authorization or issuance of such Shares.

Governmental regulations and any stock exchange on which the Shares are listed may impose reporting or other obligations on the Company with respect to the Plan. For example, the Company may be required to identify Restricted Share Units granted under the Plan on its Company Share ownership records or Shareholder information circulars and send tax information to employees and former employees who transfer title to Shares acquired under the Plan.

ARTICLE 12- GOVERNING LAW

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Quebec and the laws of Canada applicable thereto.

ARTICLE 13 - SHAREHOLDER AND REGULATORY APPROVAL

The Plan has been adopted by the Board and the obligation of the Company to issue Shares from treasury in order to satisfy its obligations hereunder is subject to ratification by the Shareholders of the Company and the acceptance of the Plan by the Toronto Stock Exchange and any other relevant regulatory authority.

SCHEDULE F

STATEMENT OF ALIGNMENT OF CORPORATE GOVERNANCE PRACTICES WITH CSA GUIDELINES

Effective on June 30, 2005, the Canadian Securities Administrators ("CSA") have adopted a 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 National 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 March 10, 2010.

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.

CSA DISCLOSURE GUIDELINE	Alignment by ProSep	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
Board of Directors		
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	Gérard Caron: Independent Jacques L. Drouin: Non-Independent Anthony Rustin: Independent Paul Coppinger: Independent David Laidley: Independent Richard Lint: Independent
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	Yes	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.

CSA DISCLOSURE GUIDELINE	Alignment by ProSep	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
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.		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.
Disclose whether or not a majority of the Directors are independent.	Yes	five of the six Directors (or 83.3%) qualify as independent Directors.
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	See table set forth in Section "Election of Directors" of the Proxy Circular which presents all of the other directorships held by each Director.
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	<p>The independent Directors met in camera twice (2) times in the preceding twelve months without members of Management and non-independent Directors being present. An in camera session is systematically included as an agenda item at each Board of Directors meeting.</p> <p>The Audit and HR&CG Committee members met in camera two (2) times and once (1) time, respectively, in the preceding twelve months without the Management and the non-independent Directors being present. An in camera session is systematically included as an agenda item at each of the Audit and HR&CG committee meetings.</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.	Yes	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 Schedule H of the Proxy Circular.
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.	Yes	See table set forth at page [12] of the 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.
Board of Directors' Mandate		
Disclose the text of the Board of Directors' written mandate.	Yes	The mandate of the Board of Directors is set forth in Schedule G of the Proxy Circular. The mandate provides that the role of the Board of Directors is to supervise the management of ProSep's

CSA DISCLOSURE GUIDELINE	Alignment by ProSep	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
business and affairs with the objective of increasing shareholder value.		
Position Descriptions		
Disclose whether or not the Board of Directors has developed written position descriptions for the Chairman of the Board of 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.	Yes	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 Schedules H, I, K and M of the Proxy Circular.
Orientation and Continuing Education		
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.	Yes	As prescribed under its mandate, the HRE&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.
Briefly describe what measures, if any, the Board of Directors takes to provide continuing 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.	Yes	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 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.
Ethical Business Conduct		
Disclose whether or not the Board of Directors has adopted a written code		

CSA DISCLOSURE GUIDELINE	Alignment by ProSep	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
for the Directors, Officers and Employees. If the Board of Directors has adopted a written code:		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 .
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 .
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	<p>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;</p> <p>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</p> <p>Such departures from the Code as come to the knowledge of the HRE&CG Committee are required to be reported to the Board of Directors.</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.	Yes	There has not been any instance of departure from the Code within the preceding 12 months.
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>Each individual, acting as a Director, an Officer, an Employee or a Consultant, must disclose to the HRE&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.</p> <p>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.</p> <p>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.</p> <p>Disclosure may allow for a conflict of interest involving a Director to be appropriately managed. However, a conflict may be so</p>

CSA DISCLOSURE GUIDELINE	Alignment by ProSep	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
Protection and proper use of corporate assets and opportunities.	Yes	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 Board of Directors. 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.
Confidentiality of corporate information.	Yes	The Code prescribes that each Director, Officer, Employee or Consultant shall comply with ProSep's Confidential Information Policy.
Compliance with laws, rules and regulations.	Yes	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. 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.
Reporting of any illegal or unethical behavior.	Yes	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.
Describe any other steps the Board of Directors takes to encourage and promote a culture of ethical business conduct.	Yes	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. The Audit Committee shall review ProSep's process for monitoring compliance with laws and regulations affecting financial reporting. See Schedule J for the full text of the mandate of the Audit Committee. Any waiver from the Code may only be granted by the Board of Directors.
Nomination of Directors		
Describe the process by which the Board of Directors identifies new candidates for nomination to the Board of Directors.		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. 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.

CSA DISCLOSURE GUIDELINE	Alignment by ProSep	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
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	<p>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.</p> <p>The HRECG 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.</p>
If the Board of Directors has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	Yes	<p>The responsibilities of the HRECG 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 HRECG Committee are further described in the mandate of such committee enclosed herewith at Schedule L.</p> <p>The HRECG Committee shall examine whether each new nominee can devote sufficient time and resources to his or her duties as a Director.</p>
Compensation		
Describe the process by which the Board of Directors determines the compensation for the Directors and Officers.	Yes	<p>The HRECG 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 Proxy Circular for additional information on the compensation received by the Directors. The HRECG 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 HRECG 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 Proxy Circular for additional information.</p>
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	<p>The HRECG Committee is composed of three members: (i) the Chair, Richard Lint; (ii) Anthony Rustin; and (iii) Paul Coppinger. Each member of the HRECG 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 Committee</p>

CSA DISCLOSURE GUIDELINE	Alignment by ProSep	DESCRIPTION OF ProSep's GOVERNANCE PRACTICES
committee composed entirely of independent directors, describe what steps the Board of Directors takes to encourage an objective process for determining compensation.		Rules.
If the Board of Directors has a compensation committee, a description of the responsibilities, powers and operations of the compensation committee.	Yes	The HR&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&CG Committee are further described in the mandate of such committee enclosed herewith at Schedule L.
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.	Yes	In setting the applicable compensation package of the Directors and Officers, the Board of Directors used a survey published by Korn Ferry
Other Board of Directors Committees		
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 ad hoc committee to address a special mandate established by the Board of Directors.
Assessment		
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	The Chairman of the Board of Directors, in conjunction with the HR&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.

SCHEDULE G

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.
- 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 H

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.
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 I

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.
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 J
MANDATE OF THE AUDIT COMMITTEE

1. 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.

2. Authority

The Audit Committee has the responsibility for:

- 2.1 Performing activities within the scope of its mandate.
- 2.2 Engaging independent counsel and other advisors when deemed necessary to carry out its duties.
- 2.3 Ensuring the attendance of the officers of the Company at meetings of the Audit Committee, as appropriate.
- 2.4 Requesting and gaining access to members of Management, employees and relevant information.
- 2.5 To establish procedures concerning the reception, the management and the treatment of the complaints received by the Company on the subject of accounting, of internal accounting controls or the audit and the establishment of procedures concerning the confidential and anonymous transmission of concerns touching debatable points regarding accounting or auditing by the employees of the Company.
- 2.6 Recommending for approval by the Board of Directors the appointment, compensation, retention and annual scope of work of the external auditors.
- 2.7 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.

3. Organization

Membership

- 3.1 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.
- 3.2 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.

- 3.3 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.
- 3.4 Each Audit Committee member shall have skills and experience commensurate with the discharge of the duties and responsibilities associated with such function.
- 3.5 Each member shall be financially literate and at least one member shall have accounting or related financial expertise.
- 3.6 Audit Committee members shall be appointed for a one-year term of office.
- 3.7 The secretary of the Audit Committee shall be the meeting secretary, or such other person as nominated by the Board of Directors.
- 3.8 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.
- 3.9 The external auditors should be invited to make presentations to the Audit Committee, as appropriate.

Meetings

- 3.10 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.
- 3.11 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.
- 3.12 Special meetings may be convened as required by the Audit Committee, Management or the external auditors.
- 3.13 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.
- 3.14 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.
- 3.15 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.
- 3.16 The Audit Committee may call a meeting with outside legal counsel if it is deemed necessary.
- 3.17 The Audit Committee will meet with the external auditors at least once a year without Management present.

4. Roles and Responsibilities

The Audit Committee shall:

Internal Control

- 4.1 Understand the overall internal controls implemented by Management.
- 4.2 Require from Management that it implements 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 it takes all necessary measures to manage such risks.
- 4.3 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.
- 4.4 Receive periodical Management reports assessing the adequacy and effectiveness of ProSep's disclosure controls and procedures and systems of internal controls.
- 4.5 Review ProSep's risk assessment and risk management policies, including its insurance coverage.

Financial Reporting

- 4.6 Monitor the quality and integrity of ProSep's accounting and financial reporting process through discussions with Management, the external auditors and the internal auditors.
- 4.7 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- 4.8 Oversee the periodic 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.
- 4.9 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.
- 4.10 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 Section 4.8 above) and periodically assess the adequacy of such procedures.
- 4.11 Review Management's process for ensuring that information contained in analyst briefings and press announcements is consistent with published financial information.
- 4.12 Meet with Management and the external auditors to review the financial statements, the key accounting policies and estimates, and the results of the audit.
- 4.13 Ensure that significant adjustments, unadjusted differences, disagreements with Management and critical accounting policies and practices are discussed with the external auditors.
- 4.14 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

- 4.15 Review the effectiveness of the system for monitoring compliance with laws and regulations.
- 4.16 Obtain regular updates from Management regarding compliance matters that may have a material impact on ProSep's financial statements.
- 4.17 Be satisfied that all regulatory compliance matters related to ProSep's business have been considered by Management in the preparation of the financial statements.
- 4.18 Review the findings of material reports by regulatory agencies.

Working with Auditors

- 4.19 Review the professional qualification of the auditors (including background and experience of the responsible partner and the assigned auditing personnel).
- 4.20 Consider the independence of the external auditors and any potential conflicts of interest.
- 4.21 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 does not jeopardize the independence of the auditor.
- 4.22 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. Supervise the work of the external auditors hired to establish or deliver an audit report or to render other auditing, review or certification services to the Company.
- 4.23 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. The audit committee is also in charge of the resolution of disagreements between management and the external auditors on financial information matters.
- 4.24 Ensure that significant findings and recommendations made by the external auditors and Management's proposed response are received, discussed and appropriately acted upon.
- 4.25 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.
- 4.26 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.
- 4.27 Review policies for the provision of non-audit services by the external auditors and, if required, the pre-approval of such non-audit work.
- 4.28 To examine and approve the hiring policies of the Company with regard to the partners and the employees, previous or current, of the external auditor of the Company, applicable to either the current or the previous auditor.

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

Reporting Responsibilities

- 4.30 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.
- 4.31 Ensure the Board of Directors is aware of matters that may significantly impact on the financial condition or affairs of the business.
- 4.32 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

- 4.33 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

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

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 L
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.

1. Authority

The HR&CG Committee has the responsibility for:

- 1.1 Performing activities within the scope of its mandate.
- 1.2 Engaging independent counsel and other advisors when deemed necessary to carry out its duties.
- 1.3 Ensuring the attendance of the Officers at HR&CG Committee meetings, as appropriate.
- 1.4 Requesting and gaining access to the Officers and Employees and to any relevant information.
- 1.5 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.
- 1.6 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.
- 1.7 Examining, evaluating and, if required, reviewing ProSep's Stock Option Plan and making recommendations to the Board of Directors regarding any modifications deemed necessary.

2. Organization

Membership

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 Each HR&CG Committee member shall have skills and experience commensurate with the discharge of the duties and responsibilities associated with such function.
- 2.5 HR&CG Committee members shall be appointed for a one-year term of office.
- 2.6 The secretary of the HR&CG Committee shall be the meeting secretary, or such other person as nominated by the Board of Directors.
- 2.7 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

- 2.8 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.
- 2.9 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.
- 2.10 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.
- 2.11 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.
- 2.12 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.
- 2.13 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.

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

3. Roles and Responsibilities

The HR&CG Committee shall:

Human resources

- 3.1 Review the human resource policies and the organization of ProSep, including employment, compensation, training and development.
- 3.2 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.
- 3.3 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.
- 3.4 Review, once a year or as needed, the human resource and succession planning for the President and Chief Executive Officer.
- 3.5 Oversee ProSep's regulatory compliance with respect to compensation matters.
- 3.6 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.
- 3.7 Review and recommend to the Board of Directors the granting of options under any Option or Long-Term Incentive Plans.
- 3.8 Annually review all aspects of remuneration received by the members of the Board of Directors.
- 3.9 Review executive compensation disclosure before ProSep publicly discloses such information.

Corporate governance

- 3.10 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.

- 3.11 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.
- 3.12 Review and approve the annual regulatory disclosure of ProSep's corporate governance practices, as required.
- 3.13 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

- 3.14 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.
- 3.15 Recommend the establishment or disbanding of the Board of the Directors committees.
- 3.16 Recommend the appointment of the Board of Directors members, committee members and committee chairs.
- 3.17 Recommend candidates to fill Board of Director, committee and committee chair vacancies.
- 3.18 Recommend candidates for appointment to the office of Chairman of the Board of Directors.
- 3.19 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.
- 3.20 Develop and maintain a process and criteria for identifying, recruiting and appointing new Directors.
- 3.21 Recommend to the Board of Directors nominees for election to the Board of Directors at the annual meeting of Shareholders.
- 3.22 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

- 3.23 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

- 3.24 At each regular meeting, update the Board of Directors about HR&CG Committee activities and make appropriate recommendations.
- 3.25 Ensure the Board of Directors is aware of matters that may significantly impact on the affairs of ProSep.

Evaluating Performance

- 3.26 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

- 3.27 Review the HR&CG Committee mandate annually.
- 3.28 Ensure that the mandate is approved or re-approved by the Board of Directors.

Other

- 3.29 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.
- 3.30 Monitor the quality of the relationship between Management and the Board of Directors and recommend improvements deemed necessary or advisable.
- 3.31 Generally, discuss recommendations with the President and Chief Executive Officer before making such recommendations to the Board of Directors.
- 3.32 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.
- 3.33 Annually review directors' and officers' third party liability insurance coverage.
- 3.34 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 M

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.