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**PRESS RELEASE  
FOR IMMEDIATE DISTRIBUTION**

## **PROSEP REPORTS 2011 THIRD QUARTER FINANCIAL RESULTS**

**MONTREAL, QUEBEC – November 10, 2011** - ProSep Inc. (TSX: PRP) (“ProSep” or the “Company”), dedicated to providing process solutions to the oil and gas industry, today announced its financial results for the three and nine-month periods ended September 30, 2011. All amounts are reported in Canadian dollars unless otherwise stated.

### **Selected highlights of the quarter and important subsequent events:**

#### **Financial<sup>1</sup>**

- Revenues during the third quarter were \$6.9 million, a decrease of 16% when compared to \$8.1 million recognized during the corresponding period of 2010, resulting from lower order intake in the last two quarters.
- Gross margin stood at \$2.2 million (32% of revenues) compared to \$2.0 million (24% of revenues) for the corresponding period of 2010. Improved gross margins result mainly from efficient project execution.
- EBITDA was negative \$2.3 million compared to negative \$0.8 million for the corresponding period of 2010, on lower order intake and investments in hiring and supporting additional human resources to benefit from positive market conditions, and support our growth strategy.
- Loss for the period amounted to \$2.5 million compared with a loss of \$1.5 million for the corresponding period of 2010.
- At quarter end, backlog stood at \$9.5 million, up 22% from \$7.8 million at beginning of the year. Including recent contract announcements, current backlog stands at approximately \$19 million.
- The Company closed on October 14, 2011 a tranche of \$11.1 million from a non-brokered private placement of up to \$15 million to provide additional working capital.

#### **Commercial**

- Concluded \$2.8 million in new signings in the third quarter and \$11.7 million during the first weeks of the fourth quarter of 2011. Including these recent contract awards, total signings year-to-date stand at \$40 million, compared to \$23 million for the entire twelve month period of last year.
- Concluded an important distribution agreement with Flint Energy Services Ltd., a leading Canadian-based unconventional oil and gas service and equipment supplier.
- Concluded the Company’s first contract for its newly introduced seawater treatment and water injection system, valued at \$2.7 million.
- Sold the Company’s largest offshore produced water treatment system, valued at \$6.5 million, for installation in South-East Asia.
- Sold its proprietary desalting technology to a leading Latin American Oil and Gas producer by demonstrating significant process improvements, reduced water consumption and improved oil quality at the customer’s installation.
- Concluded a contract to test ProSep’s novel injection and mixing technology at a leading Saudi Arabian producer with the objective of demonstrating superior performance compared with processes currently used at all its production and gathering facilities.

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<sup>1</sup> The Company adopted IFRS at January 1, 2011.

- Initiated the development of field tests at various customer locations for ProSep’s proprietary gas dehydration system and produced water treatment systems.

## Operations

- Hired Michael M. Browne, P.Eng., as President and General Manager of ProSep (USA) Inc., the Company’s business unit located in Houston, Texas.
- Hired additional resources to support expected growth at the South-East Asian business unit and South Korean joint venture ProSep Kolon.
- Maintained exceptional Health Safety and Environment (“HS&E”) track record and zero Total Recordable Incident Rate (“TRIR”) for two years.
- Completed ISO 9001 : 2008 certification of all business units around the world.

“ProSep achieved significant milestones during the quarter. We’ve completed our organizational changes, expanded our offering and strengthened our market reach. With the conclusion of an important equity financing, we now have all elements in place to deliver stronger results and achieve profitability”, said Jacques L. Drouin, President & CEO. “In recent weeks, we’ve announced a number of significant awards. These are the first tangible results of our new strategy. As we focus on accelerating commercialization of our proprietary technologies and continue building strong references, we expect to see significant backlog growth in the current quarter and into 2012.”

## Selected Financial Highlights (in \$ millions except for amounts per share)

	Quarters ended September 30		Nine-months ended September 30	
	2011	2010	2011	2010
Revenue	\$6.9	\$8.1	\$26.4	\$26.2
Gross margin*	\$2.2	\$2.0	\$6.6	\$7.1
Gross margin as a percentage of revenue	32%	24%	25%	27%
EBITDA** (loss)	(\$2.3)	(\$0.8)	(\$6.4)	(\$1.7)
Loss for the period	(\$2.5)	(\$1.5)	(\$7.9)	(\$3.1)
Basic and diluted loss per share	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.02)
Weighted average number of shares	192,836,595	191,767,900	192,384,546	177,227,930
As at:	September 30, 2011		December 31, 2010	
Net Invested Working Capital***	\$2.0		\$6.2	
Total Assets	\$40.4		\$46.1	
Borrowings	\$9.0		\$10.4	
Equity	\$12.7		\$20.1	

\* Gross margin is a non-IFRS financial measure and the Company defines it as margin excluding amortization expenses.

\*\* EBITDA is a non-IFRS financial measure and the Company defines it as earnings or loss from operations excluding amortization, financial charges and income taxes.

\*\*\* Net Invested Working Capital is a non-IFRS financial measure and the Company defines it as follows: (Restricted cash + Trade and other receivables + Inventories + Prepaid expenses) - (Trade and other liabilities + Deferred revenue).

## **Financial Results**

This Press Release reports consolidated results. For detailed segmented financial results please see the Management Discussion and Analysis and Unaudited Interim Condensed Consolidated Financial Statements for the period ended September 30, 2011.

### **Revenues**

ProSep reported consolidated revenues of \$6.9 million for the quarter ended September 30, 2011, a decrease of 16% from \$8.1 million generated during the same period in 2010. All business units reported lower revenues compared to the corresponding quarter in 2010. This situation reflects lower bookings during the last six months because of few opportunities reaching clients' decision point during that period. The level of bidding activity remains high and ProSep believes that projects' decision time has simply been deferred.

Third quarter revenues from the Company's US operations were down 16%, reaching \$4.6 million, while revenues from its Asia Pacific business unit were slightly down at \$1.9 million. Revenues at the European and Middle East Operations were \$0.4 million, down \$0.3 million from the previous year. Revenues at this business unit were affected by recent organizational changes and delays in contract awards. Recent personnel changes and relocation of this business unit should improve its contribution to the Company's overall success. These changes will better align ProSep's European operation with its new strategic plan and accelerate commercialization of high value proprietary technologies. Year-to-date, consolidated revenues grew to \$26.4 million, a slight increase over the same period last year.

ProSep's bidding activity continues to reach record levels. Recent contract wins indicate that momentum achieved during the first quarter of 2011 should resume after a period of delays in project awards that prevailed during the second and third quarters. Including third quarter awards of approximately \$3 million, and awards in the first few weeks of October, ProSep concluded \$40 million in new contract awards year-to-date, almost doubling last year's new bookings. At the end of the third quarter of 2011, the Company's backlog stood at \$9.5 million, up 22% since the start of the year. Including those recent awards in October, backlog stands at approximately \$19 million.

### **Gross Margins**

Overall gross margin for the quarter stood at \$2.2 million, or 32% of revenues, compared to \$2.0 million or 24% of revenues achieved during the same period last year. Margins as a percentage of revenues improved at the US and Asia Pacific Operations, however, the contribution of the European and Middle East Operations, where the Company's more profitable proprietary offering resides, was much lower during the third quarter this year.

Year-to-date, overall gross margin stood at \$6.6 million, or 25% of revenues, compared to \$7.1 million or 27% of revenues achieved during the same period last year. Margins as a percentage of revenues showed important progress at the US and, to a lesser extent, at the Asia Pacific Operations. Gross margin for the year-to-date benefited from ongoing solid project execution on a number of projects that were completed (or substantially completed) during the last few months. This allowed the reversal of certain project provisions and contingencies, or confirmed savings related to procurement and project execution.

### **EBITDA and Loss for the Period**

Third quarter's EBITDA was negative \$2.3 million in 2011 compared to negative \$0.8 million for the same period last year. The current quarter's EBITDA benefited from a slightly improved gross

margin, compared to 2010. To realize its new strategic plan and accelerate growth, the Company invested in its most productive asset, human resources, and hired close to twenty industry leading business development professionals, recognized process engineering experts and related resources. This will allow ProSep to be better positioned to benefit from industry growth and capture increased market share. Year-to-date, EBITDA was negative \$6.4 million compared to negative \$1.7 million during the same period last year. This results from a combination of lower overall gross margins achieved earlier in the year (from projects awarded in a very competitive environment during the industry downturn), as well as from the previously noted investments in human resources to favorably position ProSep in a competitive but promising growth market.

For the three-month period ended September 30, 2011, the Company reported a loss of \$2.5 million (\$0.01 per share), compared to a loss of \$1.5 million (\$0.01 per share) for the corresponding period in 2010. The loss for the nine-month period amounted to \$7.9 million (\$0.04 per share), against a loss of \$3.1 million (\$0.02 per share) in the corresponding period of 2010.

Basic loss per share was determined using the weighted-average number of 192,836,595 Common Shares outstanding during the third quarter of 2011. At September 30, 2011, 192,848,008 Common Shares were issued and outstanding compared to 191,798,008 at September 30, 2010.

### **Covenant Waivers**

At March 31, as well as at June 30 and September 30, 2011, one of the Company's wholly-owned subsidiaries was in breach of one of the financial ratios stipulated in a banking facility. This situation stemmed largely from the Company's decision to accelerate its pace of growth in view of the opportunities offered in the marketplace, and more specifically to the up-front investments in hiring and related operating expenses that were approved as part of this strategy. The Company anticipates that its subsidiary will continue to be in breach of this covenant at the year-end date of December 31, 2011. A covenant waiver wherein the lender confirmed that the breached covenant is not deemed to constitute an event of default was obtained by the Company's subsidiary for the March 31 breach, as well as for the June 30 and the September 30, 2011 breach. A new waiver request will be presented with respect to the anticipated breach at the year-end date of December 31, 2011.

Under the same banking facility, the Company's subsidiary is subject to a "clean-down" obligation, whereby the facility is to be undrawn for a period of no less than three weeks, twice during a rolling twelve month period, each "clean-down" period to be separated by at least eight weeks. The Company's subsidiary has been in breach of this covenant since August 26, 2011. The Company's subsidiary has obtained a waiver in respect of such covenant breach, and it has initiated a "clean-down" on October 20, 2011, further to the Company closing an equity financing on October 14, 2011.

### **Conference Call and Webcast Details**

ProSep will host a conference call and webcast on Thursday November 10, 2011 at 8:00 a.m. (EST) to review the financial results and highlights of the third quarter ended September 30, 2011. To access the conference call by telephone, dial **1-416-981-9000** or **1-800-754-4430**, through ProSep's website under "Calendar of Events" in the "News and Investor Center" and on [www.marketwire.com](http://www.marketwire.com). For audio replay, dial 1-416-626-4100 or 1-800-558-5253 with the reservation code # 21542191.

## Regulatory Filings

ProSep filed its Unaudited Interim Condensed Consolidated Financial Statements for the three and nine-month periods ending September 30, 2011 and related Management Discussion and Analysis with securities regulatory authorities. The material will be available through SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website, [www.prosep.com](http://www.prosep.com).

## About ProSep

ProSep is a technology-focused process solutions provider to the upstream oil and gas industry. ProSep designs, develops, manufactures and commercializes technologies to separate oil, water and gas generated by oil and gas production. For more information, please visit [www.prosep.com](http://www.prosep.com).

### **Caution concerning forward-looking statements**

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

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