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## PROSEP REPORTS 2010 SECOND QUARTER FINANCIAL RESULTS

**MONTREAL, QUEBEC – August 11, 2010** - ProSep Inc. (TSX: PRP), dedicated to providing process solutions to the oil and gas industry, today announced its financial results for the three and six-month period ended June 30, 2010. All amounts are reported in Canadian dollars unless otherwise stated.

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

#### Financial:

- Revenues of \$8.7 million, a decrease of 7% when compared to \$9.3 million for the corresponding period of 2009. Year-to-date, revenues amount to \$18 million, a 20% reduction from the \$22.5 million generated during the first half of 2009.
- Gross margin of \$2.6 million (30% of revenues) compared to \$3.7 million (40%) for the corresponding period of 2009. Year-to-date, gross margin stands at \$5.1 million (29%) compared to \$6.9 million (31%) for the same period last year.
- Net loss of \$0.3 million compared with a net loss of \$7.1 million for the corresponding period of 2009. Year-to-date, net loss amounts to \$1.6 million compared to \$9.1 million for the same period last year. Included in both the 2009 second quarter and year-to date net losses were a \$6.5 million goodwill impairment and debt conversion and settlement cost amounting to \$2.1 million.
- Existing and new shareholders participated in a private placement for gross proceeds of \$3.7 million. Ongoing support from Fondation and Cycle Capital Fund I, L.P., which respectively own 21.8% and 18.9% of issued and outstanding shares post transaction, continues to be key to the execution of the Company's business plan.

#### Operational and corporate:

- Announced approximately \$3.2 million in new contracts during the quarter to supply process equipment to large national and international oil and gas producers.
- Concluded the first sales of conventional produced water treatment equipment after introducing this new offering in 2009.
- Announced the appointment of two highly regarded directors, Claude Fontaine, Q.C. and Joseph Wilson, to the Company's Board of Directors.
- Successfully completed the ProDry's development phase with industry partners Total, Statoil and ConocoPhillips. Results showed high performance and robustness.
- Sales backlog stood at \$9.8 million on July 1, 2010.
- Subsequent to the quarter end, ProSep announced an additional US\$6.6 million in new contracts. These new contracts include a US\$2.0 million crude treatment system, (the Company's first significant sale in Canada's oil sands) and a US\$4.1 million gas dehydration package with a new client in the South China Sea.

"Our second quarter revenues reflected lower order intake levels resulting from our industry's downturn in 2009. Based on recent quotation activities, we believe that oil and gas capital expenditure programs have picked-up since the start of the year," said Jacques L. Drouin, President and CEO. "Our recent contract awards in Western Canada and Asia Pacific results from of an increased level of activity and appetite for our technologies in these growing markets. We continue to believe that our backlog should significantly improve in the latter half of this year and into 2011."

"The recent oil spills that occurred in the Gulf of Mexico, China and the United States have highlighted the difficulties of safely producing hydrocarbons from increasingly challenging sources. As the world's thirst for oil and gas continues to grow, regulators and companies will need to implement stricter operating and environmental standards to ensure that resources are safely produced and transported. We believe that this trend could bode well for our Company as the industry becomes more sensitive to these issues and further inclined to invest in more efficient and environmentally sound technologies," added Mr. Drouin.

## Selected Financial Highlights

	Quarter ended June 30		Six-months ended June 30	
	2010	2009	2010	2009
Revenue	\$8,652,996	\$9,315,971	\$18,060,686	\$22,502,751
Gross margin	\$2,571,316	\$3,176,448	\$5,149,625	\$6,933,120
Gross margin percentage of sales	30%	40%	29%	31%
EBITDA* (loss)	\$(248,292)	\$473,407	\$(924,590)	\$325,757
Net loss	\$304,679	\$7,147,852	\$1,609,384	\$9,132,368
Basic and diluted loss per share	\$(0.00)	\$(0.11)	\$(0.01)	\$(0.14)
Weighted average number of shares (basic and diluted)	176,393,780	64,443,451	169,861,137	64,443,451
As at:	June 30, 2010		June 30, 2009	
Working capital	\$6,733,420		\$4,742,925	
Total Assets	\$55,754,333		\$53,395,309	
Long-term debt	\$10,524,742		\$11,689,450	
Shareholder equity	\$23,364,682		\$19,962,631	

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

\*\* Working Capital is defined as short term assets less short term liabilities

## Financial Results

### Revenues

ProSep reported revenues of \$8,652,996 during the second quarter of 2010, a 7% decrease from \$9,315,971 during the same period in 2009. For the six-month period ended June 30, 2010, revenues stood at \$18,060,686, a 20% decrease from \$22,502,751 during the first half of 2009.

During the second quarter, increased revenues at the *US* and *European and Middle East operations* were offset by change orders and requisitions at the *Asia Pacific operations* that temporarily delayed contract completion and revenue recognition. On a year-to-date basis, growth at the *European and Middle East operations* (which is mostly focused on the Company's proprietary offering) was offset by decreased revenue at the *Asia Pacific* and *US operations*. Overall, lower order intake due to residual weakness in upstream capital expenditure programs, increased competition and unfavourable USD/CAD exchange rates explain most of the variance. On July 1<sup>st</sup>, 2010, ProSep's backlog stood at \$9.8 million, which excludes the US\$6.6 million in new contracts announced subsequent to the second quarter end.

### Gross Margins

ProSep reported gross margins of \$2,571,316 or 30% of revenues during the second quarter of 2010 compared to \$3,176,448 or 40% of revenues during the same period last year. For the six-month period ended June 30, 2010, gross margin represented 29% of revenues, or \$5,149,625, compared with 31% or \$6,933,120 during the first half of 2009.

During the second quarter, higher gross margins from the sale of proprietary equipment at the *European and Middle East operations* offset significantly lower margins at the *Asia Pacific operations* pursuant to change orders related to a contract and unplanned extra costs. The Company has taken the necessary steps to increase this business unit's profitability, prevent further delays and reduce execution risk by recruiting additional human resources, implementing an integrated accounting system and improving overall controls.

### EBITDA and Net Loss

Earnings before interest, taxes, depreciation and amortization\* ("EBITDA\*") were negative \$248,292 for the second quarter of 2010 compared to \$473,407 during the same period of 2009. Residual weakness in the industry and increased competition led to lower order intake. Despite efforts to control operational expenses, challenges at the *Asia Pacific operations* and unfavourable currency exchange rates, year-to-date EBITDA was negative \$924,590 compared with \$325,757 for the same period in 2009.

During the second quarter of 2010, ProSep reported a net loss of \$304,679 (\$0.00 per share), compared to last year's second quarter net loss of \$7,147,852 (\$0.11 per share). On a year-to-date basis, net loss stands at \$1,609,384 for 2010 compared to \$9,132,368 for the first half of last year. In 2009, net loss was affected by a \$6.5 million goodwill impairment charge as well as debt conversion and settlement cost amounting \$2.1 million resulting from the balance sheet restructuring initiative concluded in the third quarter of 2009.

Basic and diluted loss per share was determined using the weighted-average number of 169,861,137 Common Shares outstanding during the period. At June 30, 2010, 191,721,295 Common Shares were issued and outstanding compared to 64,443,451 at the corresponding period of 2009. At June 30, 2010, ProSep held cash and cash equivalents of \$4,870,248 compared with \$7,689,695 as at December 31, 2009.

## Conference Call and Webcast Details

ProSep will host a conference call and webcast on Wednesday, August 11, 2010 at 8:00 a.m. (EST) to review the financial results and highlights of the quarter. To access the conference call by telephone, dial 1- 416-981-9033 or 1-800-899-2086. A live audio webcast of the conference call will also be available 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 # 21477731.

## Regulatory Filings

ProSep filed its quarterly unaudited consolidated financial statements for the three and six-month periods ending June 30, 2010 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.prosepinc.com](http://www.prosepinc.com).

## About ProSep Inc.

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

### *Caution concerning forward-looking statements*

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

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## Contacts

ProSep Inc.  
Patrice Daignault  
CFO & Corporate Secretary  
(514) 522-5550 ext. 235  
[pdaignault@prosepinc.com](mailto:pdaignault@prosepinc.com)

Investor and media contact:  
Danielle Ste-Marie  
Director Marketing and Communications  
(514) 522-5550 ext. 238  
[dste-marie@prosepinc.com](mailto:dste-marie@prosepinc.com)