

July 4, 2008

Notice to the Reader:

Re: ProSep Inc. Filing of  
Amended English Unaudited Consolidated Interim Financial Statements

The Unaudited Consolidated Interim Financial Statements for the three months ending March 31, 2008, English version, have been re-filed due to a clerical error in the version originally filed. The last 3 notes to the consolidated financial statements (notes 15 (continued), 16 and 17) had been omitted.

The amended filing of the English Unaudited Consolidated Interim Financial Statements contains all notes and full disclosure to the financial section.

Yours truly,

ProSep Inc.

"Susan Da Silva"  
Susan Da Silva, CA  
VP Finance and Corporate Secretary

**ProSep Inc.**  
**(Formerly TORR Canada Inc.)**  
**Unaudited Consolidated Interim Financial Statements**  
**For the three-month period ended**  
**March 31, 2008**

**AMENDED**

ProSep Inc.  
(Formerly TORR Canada Inc.)  
Consolidated statements of loss and comprehensive loss  
For three-month periods ended March 31, 2008 and 2007  
(Unaudited)

	Three months ended March 31	
	2008	2007
	\$	\$
<b>Revenue (Note 15)</b>	<b>9,117,043</b>	16,414,696
<b>Cost of goods sold (Note 10)</b>	<b>6,464,487</b>	16,997,934
<b>Gross margin</b>	<b>2,652,556</b>	(583,238)
<b>Expenses</b>		
Sales and marketing	561,064	396,448
Research and development	303,205	120,440
General and administrative	2,229,348	763,622
	<b>3,093,617</b>	1,280,510
	<b>(441,061)</b>	(1,863,748)
<b>Decrease in fair value of investment in ABCP (Note 4)</b>	<b>450,000</b>	-
<b>Financial charges (income), net (Note 11)</b>	<b>1,958,870</b>	(118,015)
<b>Amortization (Note 11)</b>	<b>363,857</b>	117,353
<b>Loss before income taxes</b>	<b>(3,213,788)</b>	(1,863,086)
<b>Current tax provision</b>	<b>205,168</b>	-
<b>Future tax recovery</b>	<b>(81,142)</b>	-
<b>Income taxes</b>	<b>124,026</b>	-
<b>Net loss and comprehensive loss</b>	<b>(3,337,814)</b>	(1,863,086)
<b>Weighted average number of shares</b>	<b>62,556,566</b>	46,698,710
<b>Basic and diluted loss per share (Note 9)</b>	<b>(0.05)</b>	(0.04)

The accompanying notes are an integral part of these consolidated financial statements

ProSep Inc.  
(Formerly TORR Canada Inc.)  
Consolidated balance sheets  
As at March 31, 2008 and December 31, 2007  
(Unaudited)

	March 31	Audited December 31
	2008	2007
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 12)	7,720,541	8,662,634
Restricted cash	1,054,575	1,055,846
Receivables (Note 3)	13,822,823	11,299,053
Deferred contract costs	66,323	66,048
Inventories	544,326	615,430
Prepaid expenses	694,089	418,222
Derivative financial instruments (Note 13)	-	12,450
	<b>23,902,677</b>	22,129,683
Long term investment (Note 4)	6,750,000	7,200,000
Property and equipment	1,951,958	2,093,671
Goodwill	20,407,126	20,407,126
Intangible assets	8,361,079	8,530,759
Future tax assets	39,196	72,596
	<b>61,412,036</b>	60,433,835
<b>Liabilities</b>		
Current liabilities		
Bank credit facility (Note 6)	5,316,129	10,602,541
Accounts payable and accrued liabilities (Note 5)	16,853,051	15,765,232
Deferred revenue	430,535	349,515
Derivative financial instruments (Note 13)	227,548	-
Current portion of long term debt	1,844,226	1,660,518
	<b>24,671,489</b>	28,377,806
Interest payable	651,493	651,493
Long-term debt related to long-term investment (Notes 4 and 6)	7,200,000	-
Long-term debt	11,969,747	11,178,087
Future tax liabilities	1,048,250	1,162,791
Pension obligation (Note 7)	400,866	391,650
	<b>45,941,845</b>	41,761,827
<b>Shareholders' equity</b>		
Share capital	55,144,398	55,144,398
Contributed surplus	10,268,723	10,132,726
Deficit	(49,942,930)	(46,605,116)
	<b>15,470,191</b>	18,672,008
	<b>61,412,036</b>	60,433,835

**Approved by the Board**

" *Jacques L. Drouin* " ..... Jacques L. Drouin, Director

" *G rard Caron* " ..... G rard Caron, Director

The accompanying notes are an integral part of these consolidated financial statements

**ProSep Inc.**  
**(Formerly TORR Canada Inc.)**  
**Consolidated statements of deficits**  
**For three-month periods ended March 31, 2008 and 2007**  
**(Unaudited)**

	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Deficit, beginning of period</b>	<b>(46,605,116)</b>	<b>(33,870,076)</b>
<b>Net loss and comprehensive loss</b>	<b>(3,337,814)</b>	<b>(1,863,086)</b>
<b>Balance, end of period</b>	<b>(49,942,930)</b>	<b>(35,733,162)</b>

The accompanying notes are an integral part of these consolidated financial statements

**ProSep Inc.**  
**(Formerly TORR Canada Inc.)**  
**Consolidated statements of contributed surplus**  
**For three-month periods ended March 31, 2008 and 2007**  
**(Unaudited)**

**Three months ended March 31, 2008**

	Stock-based compensation	Warrants	Conversion feature of loans	Total contributed surplus
	\$	\$	\$	\$
<b>Contributed surplus as at December 31, 2007</b>	2,066,473	7,433,980	632,273	10,132,726
Stock-based compensation (Note 8)	135,997			135,997
<b>Contributed surplus as at March 31, 2008</b>	<b>2,202,470</b>	<b>7,433,980</b>	<b>632,273</b>	<b>10,268,723</b>

**Three months ended March 31, 2007**

	Stock-based compensation	Warrants	Conversion feature of loans	Total contributed surplus
	\$	\$	\$	\$
Contributed surplus as at December 31, 2006	1,264,874	6,633,550	843,031	8,741,455
Stock-based compensation (Note 8)	175,043		-	175,043
Accretion of warrants on convertible loan		63,227		63,227
<b>Contributed surplus as at March 31, 2007</b>	<b>1,439,917</b>	<b>6,696,777</b>	<b>843,031</b>	<b>8,979,725</b>

The accompanying notes are an integral part of these consolidated financial statements

ProSep Inc.  
(Formerly TORR Canada Inc.)  
Consolidated statements of cash flows  
For three-month periods ended March 31, 2008 and 2007  
(Unaudited)

	Three months ended March 31	
	2008	2007
	\$	\$
<b>Operating activities</b>		
Net loss and comprehensive loss	(3,337,814)	(1,863,086)
Items not affecting cash		
Stock-based compensation	135,997	175,043
Amortization of property & equipment	194,181	90,167
Amortization of intangible assets	169,676	27,187
Accreted interest	61,731	184,367
Accrued interest on long term investment	-	22,429
Decrease in fair value of investment in ABCP	450,000	-
Periodic pension cost	9,216	-
Future income taxes	(81,142)	-
Change in fair value of derivative financial instruments	239,998	(25,850)
Unrealized exchange loss	1,484,719	-
	<b>(673,438)</b>	<b>(1,389,743)</b>
Changes in non-cash operating working capital items	<b>(211,863)</b>	<b>(2,975,876)</b>
	<b>(885,301)</b>	<b>(4,365,619)</b>
<b>Investing activities</b>		
Acquisition of property & equipment	<b>(52,465)</b>	(269,031)
	<b>(52,465)</b>	(269,031)
<b>Financing activities</b>		
Change in bank indebtedness	-	1,111,113
Reimbursement of long-term debt	<b>(4,327)</b>	(572)
Issuance of share capital	-	1,667
	<b>(4,327)</b>	1,112,208
Effect of exchange rate on cash and cash equivalents	<b>108,819</b>	-
Decrease in cash and cash equivalents	<b>(1,050,912)</b>	<b>(3,522,442)</b>
Cash and cash equivalents, beginning of period	<b>8,662,634</b>	25,922,238
Cash and cash equivalents, end of period	<b>7,720,541</b>	22,399,796

Additional information - see Note 12

The accompanying notes are an integral part of these consolidated financial statements

ProSep Inc.

(Formerly TORR Canada Inc.)

Notes to the consolidated financial statements (Unaudited)

For three-month periods ended March 31, 2008 and 2007

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## 1. Incorporation and description of business

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to the interim financial statements, following the same accounting policies as outlined in Note 2 to the consolidated financial statements for the period ended December 31, 2007.

The interim financial statements should be read in conjunction with the most recent annual consolidated financial statements.

## 2. Accounting policies

### 2.1 Changes in accounting policies

In the first quarter of fiscal 2008 the Company adopted three new Handbook sections issued by the Canadian Institute of Chartered Accountants (CICA). The adoption of these guidelines did not have any material effect on the Company's results, financial position or cash flows.

#### a) Financial Instruments - Disclosures

Section 3862, Financial Instruments - Disclosures. This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks.

The adoption of this Section requires that the Corporation will present sensitivity analysis regarding liquidity risk, credit risk, currency risk, foreign exchange risk, interest rate risk and market risk. Comparative information about the nature and extend of risks arising from financial instruments is not required in the year Section 3862 is adopted.

#### b) Financial Instruments - Presentation

Section 3863 Financial Instruments - Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of this Section did not have a significant impact on the consolidated financial statements.

#### c) Capital Disclosures

Section 1535 Capital Disclosures. This Section establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. This Section requires that summary quantitative data about what it manages as capital, whether during the period it complied with any externally imposed capital requirements to which it is subject and when the entity has not complied with such requirements, the consequences of such non-compliance.

The adoption of this Section requires that information on capital management is now included in the notes to the consolidated financial statements. This information is included in Note 14, Capital Management.

#### d) Inventories

On January 1, 2008 the Company adopted Section 3031 Inventories. This Sections provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to the net realizable value as well as on the cost formulas that are used to assign costs to inventories.

The adoption of this Section did not have a significant impact on the consolidated financial statements.

#### e) International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The impact on the transition to IFRS on the Company's financial statements is not yet determinable.

ProSep Inc.

(Formerly TORR Canada Inc.)

Notes to the consolidated financial statements (Unaudited)

For three-month periods ended March 31, 2008 and 2007

### 3. Receivables

	March 31, 2008	December 31, 2007
	\$	\$
Trade accounts receivable	4,309,866	4,645,219
Unbilled receivables	9,002,133	5,788,413
Sales taxes and other	510,824	865,421
	<b>13,822,823</b>	<b>11,299,053</b>

Unbilled receivables represent revenue earned for which the invoice has not been prepared yet.

### 4. Long-term Investment

Long-term investment is comprised of third party asset backed commercial paper ("ABCP") acquired on July 12, 2007, rated R1 (High) by Dominion Bond Rating Services "DBRS" at the time of purchase, the highest credit rating issued for commercial paper, with a par value of \$9,000,000. This investment was classified as held for trading recognition with a fair value of \$8,963,910. During the month of August 2007, the ABCP market experienced liquidity problems. As a result, in some cases, as commercial paper matured certain Canadian Third Party programs were unable to raise funds from new issuances and therefore were not able to refund maturing commercial paper. The maturity date on the \$9,000,000 of outstanding ABCP was August 14, 2007, and the amount due was not repaid.

On August 16, 2007 announcement was made by a group representing banks, asset providers and major investors that they had agreed in principle to a long-term proposal and interim agreement to convert the ABCPs into long-term rate notes maturing no earlier than the scheduled maturity of the underlying assets. On September 6, 2007, a Pan-Canadian restructuring committee consisting of major investors was formed. The Committee was created to propose a solution to the liquidity problem affecting the ABCP and has retained legal and financial advisors to oversee the proposed restructuring process. On October 16, 2007, it was announced that the committee expected that the restructuring would be completed on or before December 14, 2007. The ABCP in which the Company has invested has not traded in an active market since mid-August 2007 and there are currently no market quotations available as there is no assurance that the assets will be restricted within a 365 day period. As a result, the Company has classified its ABCP as long-term investments.

On December 23, 2007 the Pan Canadian restructuring committee announced an agreement in principle to restructure the ABCP issued by 20 trusts, including the trusts. Under the proposal, holders of ABCP will exchange their papers for floating rate notes that have maturities based on the maturities of the underlying ABCP. The notes are to be designed so that all available cash flow in the trusts will be paid to note holders.

On March 17, 2008, the Ontario Superior Court of Justice granted an application by the Committee under the Companies' Creditors Arrangement Act (CCAA) establishing a procedure for noteholder approval of restructuring plan. The vote happened on April 25, 2008 and noteholders approved the restructuring plan subject to rectification of the Court.

The implementation of the planned restructuring is subject to a number of conditions, including execution of definite legal documentation, completion of due diligence, receipt of internal approvals by dealer bank asset providers and participating banks, receipt of the requisite approvals of holders of ABCP and final sanction by the court. A variety of consents and other approvals will be necessary or desirable in connection with the restructuring, including certain governmental and regulatory approvals.

The fair value of the ABCP was determined based on the management's judgment using available information and expectation of the assumption of market participants would use in pricing such ABCP as at the balance sheet date. The Company reviewed information provided by the Pan Canadian restructuring committee and DBRS including current investment ratings, composition and valuation estimates of the underlying assets, the estimate of the extent of leverage in the trusts, the approval of the restructuring plan and general economic conditions in considering the fair value of the investment. The Company has estimated the fair value using a valuation approach based on high likelihood of successful restructuring of the \$9 million Apsley series A, ABCP investment.

Based on this assessment of fair values, the Company has recognized an additional impairment charge of \$450,000 during the three-month period ended March 31, 2008 while \$1,800,000 was recorded during the six-month period ended December 31, 2007 for a total impairment charge of \$2,250,000 since the acquisition, representing 25% of original cost.

The above estimated fair values may not be indicative of the ultimate net realizable value or the future fair value. While management believes that its valuation technique is appropriate in the circumstances, changes in significant assumptions, especially those relating to the determination of the probability of realization of the scenarios, returns, credit risk and liquidity risk could significantly affect the value ascribed to ABCP in the next quarters.

The Company has provided a first ranking hypothecation of the ABCP to secure a term loan (Note 6).

ProSep Inc.

(Formerly TORR Canada Inc.)

Notes to the consolidated financial statements (Unaudited)

For three-month periods ended March 31, 2008 and 2007

**5. Accounts payable and accrued liabilities**

	<b>March 31, 2008</b>	December 31, 2007
	<b>\$</b>	<b>\$</b>
Accounts payable	<b>2,366,048</b>	1,873,812
Warranty provision	<b>2,790,740</b>	2,740,714
Accrued liabilities	<b>11,696,263</b>	11,150,706
	<b>16,853,051</b>	15,765,232

**6. Bank credit facility**

On March 25, 2008, the Company renewed its agreement with the National Bank of Canada and converted the credit facility payable on demand to a term loan with a new maturity date of April 30, 2009. The amount of this term loan \$7,200,000 is included in the long-term debt as at March 31, 2008 (presented as a bank credit facility as at December 31, 2007) and is secured by the long-term investment in ABCP, Note 4.

The company has a bank credit facility with DnB NOR which consists of a senior overdraft facility of 30,000,000 NOK (\$6,063,056 at March 31, 2008) and a guarantee facility of 15,000,000 NOK (\$3,031,528 at March 31, 2008) to be used to provide customer guarantees against advances received under sales contracts. The bank credit facility is \$5,316,129 at March 31, 2008 (\$3,402,541 at December 31, 2007). The interest rate is Norwegian Interbank Offered Rate (NIBOR) 3 month plus 1.5% per annum.

The letters of guarantee outstanding amount to \$ 2,568,970 as at March 31, 2008 (nil as at December 31, 2007). There is no letter of credit outstanding as at March 31, 2008 (nil as at December 31, 2007).

**7. Pension Obligation**

For the three months ended March 31, 2008, an amount of \$9,216 has been recorded to the statement of loss to account for the increase in our pension obligation (nil for the three months ended March 31, 2007).

**8. Stock-based compensation**

*Stock option plan*

The Company grants incentive stock options to its directors, officers, employees and others providing services to it in accordance with the regulations set by the TSX and is subject to its approval. The total number of common shares that may be issued pursuant to this plan is limited to 10% of the issued shares. Options may be exercised at a price equal to the quoted market value as at the date of grant. Options expire five years from the date of grant.

Options may be granted to directors, officers, consultants and employees. 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 options is amortized over the vesting period.

Changes in the number of options are as follows:

	<b>Three-month period ended March 31, 2008</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>
		<b>\$</b>
Balance, beginning of period	<b>3,745,250</b>	<b>0.89</b>
Expired	<b>(854,250)</b>	<b>1.05</b>
Forfeited	<b>(128,500)</b>	<b>0.89</b>
Balance, end of period	<b>2,762,500</b>	<b>0.84</b>

ProSep Inc.

(Formerly TORR Canada Inc.)

Notes to the consolidated financial statements (Unaudited)

For three-month periods ended March 31, 2008 and 2007

#### 8. Stock-based compensation (continued)

The table below presents additional information regarding the Company's stock option program as at March 31, 2008:

Range of exercise price	Number of options	Weighted-average remaining life (years)	Number of options exercisable
\$0.31 - \$0.50	809,000	3.90	269,750
\$0.57 - \$ 1.00	1,336,250	2.77	910,000
\$1.16 - \$ 1.45	607,250	2.20	473,000
\$1.85	10,000	3.11	5,000
	<b>2,762,500</b>		<b>1,657,750</b>

During the period, the amount amortized and recorded in contributed surplus for option costs granted to employees and board members is \$127,530 (\$175,043 at March 31, 2007).

#### Warrants

There was no changes in the number of warrants for the three-month period ended March 31, 2008. The amount of warrants exercisable was 25,599,027.

#### Restricted share units

During the fiscal 2007, the Company granted 455,000 restricted share units at a value of \$0.31 per share for a total of \$141,050. The vested restricted share units shall expire on December 31 of the year following the year of the grant date. The fair value of the restricted share units is amortized over the vesting period of the restricted units.

The expense recorded in the consolidated statements of loss and credited to contributed surplus was \$8,467 for the three-month period ended March 31, 2008 (nil for the three-month period ended March 31, 2007).

#### 9. Basic and diluted loss per share

Basic loss per share has been calculated using the weighted-average number of common shares outstanding during the period: 62,556,566 shares for the three-month period ended March 31, 2008 and 46,698,710 shares for the three-month period ended March 31, 2007.

As a result of the loss for the three-month period ended March 31, 2008, potentially 25,599,027 dilutive warrants, 2,762,500 dilutive options and 455,000 dilutive restricted units have not been included in the calculation of diluted loss per share because the effect would have been anti-dilutive (for the three-month ended March 31, 2007, potentially 23,174,785 dilutive warrants, 3,193,500 dilutive options have not been included in the calculation for the same reason).

#### 10. Cost of goods sold

	Three months ended	
	March 31	
	2008	2007
	\$	\$
Products & services sold	5,997,421	15,433,229
Warranty provision	38,728	1,385,008
Salaries and general expenses	428,338	179,697
	<b>6,464,487</b>	<b>16,997,934</b>

**ProSep Inc.****(Formerly TORR Canada Inc.)****Notes to the consolidated financial statements (Unaudited)****For three-month periods ended March 31, 2008 and 2007****11. Other supplemental information**

	Three months ended	
	March 31	
	2008	2007
Financial (income) charges, net	\$	\$
Interest on long-term convertible loan and accretion	74,406	121,142
Interest on other long-term debt & accretion	361,179	-
Interest charges	139,211	-
Change in fair value of derivative financial instrument	239,998	(25,850)
Foreign exchange*	1,213,880	(88,504)
Interest revenue	(69,804)	(188,030)
Accretion of warrants on convertible loan	-	63,227
	<b>1,958,870</b>	<b>(118,015)</b>

\*Foreign exchange includes \$1,151,334 change in value of the foreign currency denominated debt.

## Amortization

Property & equipment	194,181	90,166
Intangible assets	169,676	27,187
	<b>363,857</b>	<b>117,353</b>

**12. Supplemental cash flow information**

	March 31,	December 31,
	2008	2007
	\$	\$
Cash and cash equivalents		
Cash	7,483,264	8,603,128
Short-term investments	-	59,506
	<b>7,483,264</b>	<b>8,662,634</b>

Short-term investments as at December 31, 2007 consist of money market investments.

	March 31,	March 31,
	2008	2007
Interest paid	442,221	-

**13. Financial instruments**

The Company has made the following classifications:

	March 31,	December 31,
	2008	2007
Financial assets:		
Held for trading:		
Cash and cash equivalents	7,720,541	8,662,634
Derivative financial instrument	-	12,450
Long-term investment	6,750,000	7,200,000
Loans and receivables:		
Accounts receivable	13,822,823	11,299,053
	<b>28,293,364</b>	<b>27,174,137</b>

**ProSep Inc.****(Formerly TORR Canada Inc.)****Notes to the consolidated financial statements (Unaudited)****For three-month periods ended March 31, 2008 and 2007****13. Financial instruments (continued)**

	March 31, 2008	December 31, 2007
Financial liabilities:		
Other financial liabilities:		
Accounts payable and accrued liabilities	16,853,051	15,765,232
Bank credit facility	5,316,129	10,602,541
Long-term debt, including current portion	21,013,973	12,838,605
Interest payable	651,493	651,493
Held for trading :		
Derivative financial instrument	227,548	-
	<b>44,062,194</b>	<b>39,857,871</b>

*Fair value*

The carrying values of cash and cash equivalents, restricted cash, receivables and accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity.

The fair value of long-term investment has been estimated by management (Note 4).

The carrying value of long-term debt approximates its fair value, since the terms and conditions are similar to those the Company would have obtained as at December 31, 2007.

The carrying values of the convertible loans approximate their fair values as interest rates as at December 31, 2007 have not changed significantly since they were issued and the carrying values are being accreted to their face values over the term of the convertible loans such that they will be recorded at their full value when they become due and payable.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities such as the settlement of financial debt and lease obligations and payment to its suppliers. The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flows for all of its business units and taking the necessary actions to maintain enough liquidity for operations and for its growth objectives.

*Credit risk*

Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and trade accounts receivable. The Company has its cash and cash equivalents placed with high quality financial institutions. As part of its cash management process, the Company performs periodic evaluation of the relative credit standing of these institutions.

The Company grants credit to its customers in the normal course of business. Since a significant portion of the Company's sales were to a limited number of customers, the Company is exposed to a concentration of credit risk. Amounts receivable from three customers represent 72% of trade accounts receivable as at March 31, 2008 (three customers represented 75% of trade accounts receivable as at December 31, 2007). In addition, three customers represent 69% of unbilled receivable included in accounts receivable as at March 31, 2008 (four customers represent 99% of unbilled receivable included in accounts receivable as at December 31, 2007). All customers are evaluated regarding their payment history, their credit worthiness and the current economic environment in which customers operate. Two customers who represent 60% of accounts receivable are located in United States and the three customers representing 69% of unbilled receivable are also located in United States. Although it is not a guarantee of payment, the collection process is much easier than in some other countries.

*Currency risk*

The Company maintains cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt in foreign currencies, and is therefore exposed to currency risk on these funds. The balances in foreign currencies are as follows:

	March 31, 2008			
	NOK	USD	MYR	GBP
Cash and cash equivalents	1,486,663	1,469,404	339,367	-
Restricted cash	5,218,038	-	-	-
Receivables	6,202,932	11,183,152	267,400	87,528
Accounts payable and accrued liabilities	12,473,440	8,361,310	2,127,672	-
Bank credit facility	20,817,940	1,078,737	-	-

ProSep Inc.

(Formerly TORR Canada Inc.)

Notes to the consolidated financial statements (Unaudited)

For three-month periods ended March 31, 2008 and 2007

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Long-term debt	45,000,000	95,811	-	-
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ProSep Inc.

(Formerly TORR Canada Inc.)

Notes to the consolidated financial statements (Unaudited)

For three-month periods ended March 31, 2008 and 2007

13. Financial instruments (continued)

	December 31, 2007			
	NOK	USD	MYR	GBP
Cash and cash equivalents	3,615,646	1,686,877	232,764	-
Restricted cash	5,807,846	-	-	-
Receivables	3,391,667	9,591,720	392,531	53,372
Accounts payable and accrued liabilities	17,029,212	7,478,308	372,210	-
Bank credit facility	18,716,018	-	-	-
Long-term debt	45,000,000	99,501	-	-

*Exchange rate risk and derivative financial instruments*

The Company has operations in, and exports its products to several countries. A substantial portion of the Company's revenues are received in, and expenses incurred in foreign currencies, and it is therefore exposed to risks related to foreign exchange fluctuations. To reduce these risks, it uses derivative financial instruments, such as forward exchange contracts. The Company does not hold or issue any derivative financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. The Company has not designated its derivatives as hedge and accordingly records the derivatives at their value on the consolidated balance sheets with the corresponding gains or losses included in the consolidated statements of loss.

The Company periodically enters into financial instruments with major financial institutions to manage foreign exchange risk related to future cash flows. The Company does not enter into derivatives for speculative purposes. The Company has not designed its derivatives as a hedge and accordingly records the derivatives at fair value on the consolidated balance sheets with the corresponding gain or loss included with foreign exchange loss in the consolidated statements of loss.

As at March 31, 2008 and December 31, 2007 the Company had the following foreign exchange forward contracts:

On November 29, 2007 for a contractual amount of EUR 3,240,000 at an initial rate of 1.4762 US / EUR (US\$ 4,782,888) whereby the Company was committed to the sale of this currency. During the quarter, this foreign exchange forward contract maturity date has been extended to May 28, 2008 with a rate of 1.5079 US / EUR (US\$ 4,885,596). The fair value of this foreign exchange forward contract is \$(227,548) as at March 31, 2008 and the change in its fair value has been recorded in the statement of loss and comprehensive loss. The fair value has been obtained from the financial institution from whom the foreign exchange forward contract has been purchased.

On October 11, 2006, for a contractual amount of US\$2,000,000 at a rate of 1.12 CDN / US (CDN\$ 2,240,000) whereby the Company was committed to the sale of this currency. The foreign exchange forward contract was exercisable between August 13, 2007 to September 12, 2007. The fair value of this foreign exchange forward contract was \$57,600 as at March 31, 2007.

*Interest rate risk*

The company is exposed to interest rate fluctuation on a portion of its long-term debt. Management does not believe that the impact of interest rate fluctuations will be significant due to the fact that 44% of its long-term debt with variable interest rate is with a Canadian financial institution. The interest rate is presently favorable if we compare it with our other long-term debt interest rate. The balance of the long-term debt with variable interest rate is with DnBNOR in Norway and the company believes that the interest rate will remain comparable to what we pay in Canada. Management has not provided a sensitivity analysis of the impact of fluctuations on net loss and comprehensive loss.

*Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's profitability or the value of its financial instruments. We have discussed those items above.

The company is subject to enactment and enforcement of environmental regulations and standards which affect the Oil & Gas industry. Delays in the introduction of new regulations or decreased government enforcement action relating to existing regulations may result in a decreased demand for our products and services. Our success depends upon market acceptance of our existing products and technologies and our ability to develop new products to evolving industry. There is also several companies involved in water, oil and gas treatment, any improvement in their ability to better serve customers or provide products and services more efficiently could affect our business and results of operations.

ProSep Inc.

(Formerly TORR Canada Inc.)

Notes to the consolidated financial statements (Unaudited)

For three-month periods ended March 31, 2008 and 2007

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**14. Capital Management**

The Company is not a capital intensive corporation, but is working capital intensive. During the past years, the company has accumulated an important deficit. The objective of the Company, is to achieve positive cash flow from operating activities as soon as possible and to maintain sufficient working capital to support growth.

For the three-month period ended March 31, 2008, the company has not been in default under any of its obligations regarding the long-term debt covenants and other financial obligations.

**15. Segmented information**

*Operating segment*

The Company regularly reviews its operations and has determined that it operates in a single reportable operating segment. It designs, develops, manufactures and process solutions to treat produced water, oil and gas for the upstream Oil and Gas industry. Starting January 1, 2008, with new budget for the group and for management purposes, the company analyses results by business units as reported below:

*Geographical information*

	Three months ended	
	March 31	
	2008	2007
	\$	\$
Sales to customers situated in:		
Argentina	4,680,930	
United States	1,736,330	
Norway	868,868	
Algeria	812,456	
Columbia	330,688	
South Korea	92,888	16,281,624
United Kingdom	-	110,368
Other countries	594,883	22,704
	<b>9,117,043</b>	<b>16,414,696</b>

*Significant customers*

One client represented 51% of the Company's sales for the 3 months ended March 31, 2008 (one client represented 99% of the Company's revenue for the 3 months ended March 31, 2007).

**ProSep Inc.****(Formerly TORR Canada Inc.)****Notes to the consolidated financial statements (Unaudited)****For three-month periods ended March 31, 2008 and 2007****15. Segmented information (continued)****Revenue and expenses by business units****For the three-month period ended March 31, 2008**

	ProSep Technologies	ProPure & Middle-East	Pure Group Asia Pacific	Product Development	Head Office	Consolidation & Intercompany eliminations	Consolidated operations
Revenue	7,767,263	1,140,735	819,264	80,192		(690,411)	9,117,043
Cost of goods sold	5,882,818	454,001	782,199	35,880		(690,411)	6,464,487
Operating expenses	682,959	1,070,898	180,637	322,575	836,548		3,093,617
EBITDA*	1,201,486	(384,164)	(143,572)	(278,263)	(836,548)		(441,061)
Net loss and comprehensive loss	829,825	(467,114)	(148,096)	(278,263)	(1,820,691)	(1,453,475)	(3,337,814)

**For the three-month period ended March 31, 2007**

	TORR Canada Inc.
Revenue	16,414,696
Cost of goods sold	16,997,934
Operating expenses	1,280,510
EBITDA*	(1,863,748)
Net loss and comprehensive loss	(1,863,086)

\* 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.

**Revenue originated from:****For the three-month period ended March 31, 2008**

	ProSep Technologies	ProPure & Middle-East	Pure Group Asia Pacific	Product Development	Head Office	Intercompany transactions	Consolidated operations
United States	7,767,263						7,767,263
Norway		992,775		80,192			1,072,967
Canada		147,960					147,960
Malaysia			819,264			(690,411)	128,853
	7,767,263	1,140,735	819,264	80,192	-	(690,411)	9,117,043

For the three-month period ended March 31, 2007, total revenue of \$16,414,696 originated from Canada.

**Property & equipment****As at March 31, 2008**

Property & equipment	460,608	1,324,188	37,927	-	129,235	-	1,951,958
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**As at December 31, 2007**

Property & equipment	479,680	1,422,380	42,573	-	149,038	-	2,093,671
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**Intangible assets**

The Company is currently reviewing the allocation of intangible assets by business units.

**ProSep Inc.**

**(Formerly TORR Canada Inc.)**

**Notes to the consolidated financial statements (Unaudited)**

**For three-month periods ended March 31, 2008 and 2007**

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## **16. Comparative figures**

Comparative figures for the consolidated financial statements as at December 31, 2007 and for the three-month period ended March 31, 2007 have been reclassified to conform with the March 31, 2008 presentation.

## **17. Subsequent events**

On April 24, 2008, the company completed a private placement of \$5,090,000. Industrial Alliance Securities Inc. and Versant Partners Inc. acted as agents for the transaction. The private placement consisted of units each comprised of a \$1,000 principal amount 13% convertible unsecured subordinated debentures due April 30, 2013 and 200 common share purchase warrants at an exercise price of \$0.30 per share. The net proceeds will be used for general working capital to finance growth, issue performance and warranty bonds and increase lines of credit of operational subsidiaries.

As part of the private placement, the company has agreed to reduce the exercise price of 2,424,242 share purchase warrants issued on October 26, 2007 to FondAction, le fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi at an exercise price from \$1.65 to \$0.55 per common share. The maturity date of the share purchase warrants will not be amended and is still on October 26, 2012. The reduction of the exercise price of the share purchase warrants of FondAction will be effective on May 8, 2008, subject to TSX prior approval.

The debentures, the warrants and the common shares issued as a result of conversion of the debentures or exercise of warrants are subject to a hold period ending four months and one day after the closing date. The interest rate of 13% per annum for the debenture is payable in equal semi-annual instalments on April 30 and October 31, commencing October 31, 2008. Subject to certain conditions, the interest may be payable in cash or in common shares at the option of ProSep Inc.

The agents will receive a cash fee equal to 6% of the gross proceeds raised from the placement, as well as broker's warrant, determined by dividing 6% of the total amount of the offering by the agreed exercise price of the broker warrants, exercisable for a period of 60 months, at \$0.30 per share.

This financial transaction will be accounted for as the issue of a compound financial instrument that will include a liability component and an equity component.

On April 29, 2008, during the annual general meeting the Board of Directors of TORR Canada Inc. has adopted a resolution which changes the name of the Company. The new name is ProSep Inc.