

## PROSEP REPORTS THIRD QUARTER 2008 FINANCIAL RESULTS – Building profitability and significant revenue growth –

**MONTREAL, QUEBEC – November 12, 2008** - ProSep Inc. (TSX: PRP), 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, 2008. All amounts are reported in Canadian dollars unless otherwise stated.

### Selected Highlights

- Revenues increased by 42% and totalled \$36.8 million for the nine-month period ended September 30, 2008 compared with revenues of \$25.9 million for the corresponding period of 2007.
- EBITDA\* for the third quarter was \$1.3 million, the second consecutive quarter of positive performance.
- Signed \$11 million in new contracts during the quarter. Current sales backlog stands at \$27 million.
- Appointed David Laidley, Chairman Emeritus of Deloitte & Touche LLP, to the Company's Board of Directors.
- Named Patrice Daignault as Chief Financial Officer and Corporate Secretary effective September 2<sup>nd</sup>.
- Signed customer agreements to supply processing, treatment and separation solutions for use by leading energy companies, including BP Exploration Alaska, Petronas, ENI S.p.A., Ingaip D.O.O., and PEMEX.
- Obtained ISO 9001:2000 Certification for South East Asian operations.
- Received Deloitte Technology Green 15 Award in recognition of the quality of its process solutions for upstream oil and gas companies.

“ProSep has undergone a significant turnaround over the past 12 months,” said Jacques L. Drouin, President and CEO of ProSep Inc. “The successful integration of Pure Group into our operations has enabled us to expand our product offerings and increase our sales backlog. We are now well structured and operationally profitable and are well on our way to becoming a leading provider of process solutions to the oil and gas industry.”

As announced previously, the Company acquired Pure Group AS in October, 2007. Management believes that any comparisons with periods prior to the acquisition may not be meaningful.

### Financial Results

For the nine-month period ended September 30, 2008 ProSep reported revenues of \$36.8 million an increase of 42% from \$25.9 million generated during the corresponding nine-month period of 2007. For the third quarter of 2008 revenues were \$12.5 million. The Company recognizes revenues on a percentage of completion basis and operates in an industry that typically has long sales and production cycles. As a result, quarterly sales variations are to be expected and may not be an indication of a longer-term trend.

Gross margin was \$4.4 million or 35% of revenues for the third quarter and \$11.5 million, or 31% of revenues for the nine-month period ended September 30, 2008. In third quarter of 2008, margins improved by approximately 10% sequentially over the second quarter of 2008. The margin improvement was positively impacted by the reversal of a warranty provision of \$1.3 million out of the total \$2.6 million provision taken during the second half of fiscal 2007 relating to the delivery of the seven TORR™ water treatment systems sold to SK Engineering & Construction.

EBITDA for the third quarter of 2008 was \$1.3 million, compared to EBITDA of \$1.4 million for the preceding second quarter of 2008. EBITDA for the first nine months of 2008 was \$2.2 million compared to negative EBITDA of \$5.5 million for the same period of 2007.

Sales and marketing expenses were \$490,000 for the three-month period and \$1.5 million for the nine-month period ended September 30, 2008. The majority of these expenses relate to salaries, marketing, promotional and travel activities.

Research and development expenses were \$350,000 for the three-month period and \$900,000 for the nine-month period ended September 30, 2008. These expenses consist mostly of salaries and are dedicated to expanding the Company's proprietary product offering.

General and administrative ("G&A") expenses were \$2.3 million or 18% of sales for the three-month period and \$6.9 million or 19% of sales for the nine-month period ended September 30, 2008. The majority of these expenses relate to salaries, including benefits and option costs, and professional fees, which include regulatory fees, legal fees, accounting and audit fees, investor and public relation fees and consulting fees, and office infrastructure related expenses.

The Company reported net income of \$1.8 million or \$0.03 per share for the third quarter of 2008 compared with a net loss of \$3.0 million or (\$0.07) per share for the three-month period ending September 30, 2007. Net income for the three-month period ended September 30, 2008 was positively impacted by the reversal of a \$1.3 million warranty provision and an unrealized foreign exchange gain of \$1.9 million, most of which is a consequence of the Norwegian division's balance sheet conversion. For the nine-month period ended September 30, 2008, ProSep reported a net loss of \$1.7 million or (\$0.03) per share compared with a net loss of \$7.9 million for the nine-month period ending September 30, 2007 or (\$0.17) per share. Year-to-date, a total foreign exchange gain of \$0.5 million was recognized.

At September 30, 2008, ProSep held cash and cash equivalents of \$5.9 million.

"While international oil and gas prices have dropped recently, we have not experienced any softening of demand for our process solutions," said Mr. Drouin. "Given our sales backlog, customer commitments to CAPEX spending, and our current pipeline of opportunities, our prospects for growth for the balance of the year and into 2009 remain encouraging. Nonetheless, we believe that the current financial crisis and overall weakening of the global economic conditions as well as further declines in the price of oil may have an adverse impact on future results."

ProSep will file its consolidated financial statements for the third quarter 2008 and related management discussion and analysis with securities regulatory authorities within the applicable timelines. The material will be available through SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website, [www.prosepinc.com](http://www.prosepinc.com)

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

ProSep will host a conference call on Thursday, November 13 at 8:30 a.m. (ET) to discuss its third quarter 2008 financial results. To access the conference call by telephone, dial 416-644-3425 or 1-800-731-5319. Please connect approximately 15 minutes prior to the beginning of the call to ensure participation.

A live audio webcast of the conference call will be available at [www.newswire.ca](http://www.newswire.ca). Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. The webcast will be archived at [www.prosepinc.com](http://www.prosepinc.com) for 30 days.

*\*Earnings before interest, taxes, depreciation and amortization (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*

#### **About ProSep Inc.**

ProSep Inc., formerly known as TORR Canada Inc., is dedicated to providing process solutions to the oil and gas industry. ProSep designs, develops, manufactures and commercializes technologies to separate oil, water and gas generated by oil and gas production. For more information, please visit [www.prosepinc.com](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 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 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. ProSep Inc. does not undertake to update any forward-looking statements.*

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ProSep Inc.  
(Formerly TORR Canada Inc.)  
Consolidated statements of income (loss) and comprehensive income (loss)  
For the three-month and nine-month periods  
ended September 30, 2008 and 2007  
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Revenue</b>	<b>12,547,837</b>	102,405	<b>36,805,714</b>	25,918,818
<b>Cost of goods sold</b>	<b>8,095,717</b>	142,019	<b>25,291,329</b>	28,136,205
<b>Gross margin</b>	<b>4,452,120</b>	(39,614)	<b>11,514,385</b>	(2,217,387)
<b>Expenses</b>				
Sales and marketing	491,551	238,159	1,481,606	976,240
Research and development	353,922	85,396	921,705	255,303
General and administrative	2,292,863	665,677	6,861,454	2,069,890
	<b>3,138,336</b>	989,232	<b>9,264,765</b>	3,301,433
	<b>1,313,784</b>	(1,028,846)	<b>2,249,620</b>	(5,518,820)
Decrease in fair value of investment in ABCP	-	1,620,000	450,000	1,620,000
Financial charges	(1,311,358)	313,323	1,213,864	392,135
Amortization	359,685	100,756	1,100,826	323,118
<b>Income (loss) before income taxes</b>	<b>2,265,457</b>	(3,062,925)	<b>(515,070)</b>	(7,854,073)
Current tax provision	474,769	-	1,244,796	-
Future tax recovery	(56,856)	-	(107,474)	-
Income taxes	417,913	-	1,137,322	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>1,847,544</b>	(3,062,925)	<b>(1,652,392)</b>	(7,854,073)
<b>Weighted average number of shares (basic)</b>	<b>62,556,566</b>	46,719,695	<b>62,556,566</b>	46,706,448
<b>Weighted average number of shares (diluted)</b>	<b>73,867,677</b>	N/A	<b>N/A</b>	N/A
<b>Basic and diluted earnings (loss) per share</b>	<b>0.03</b>	(0.07)	<b>(0.03)</b>	(0.17)

**ProSep Inc.**  
**(Formerly TORR Canada Inc.)**  
**Consolidated balance sheets**  
**As at September 30, 2008 and December 31, 2007**  
**(Unaudited)**

	<b>September 30</b>	<b>December 31</b>
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,943,086	8,662,634
Restricted cash	1,066,334	1,055,846
Receivables	20,087,167	11,299,053
Deferred contract costs	-	66,048
Inventories	722,956	615,430
Prepaid expenses	934,514	418,222
Derivative financial instruments	156,000	12,450
	<b>28,910,057</b>	<b>22,129,683</b>
Long-term investment	6,750,000	7,200,000
Property and equipment	1,991,360	2,093,671
Goodwill	20,407,126	20,407,126
Intangible assets	8,021,721	8,530,759
Future tax assets	77,118	72,596
	<b>66,157,382</b>	<b>60,433,835</b>
<b>Liabilities</b>		
Current liabilities		
Bank credit facilities	10,896,156	10,602,541
Accounts payable and accrued liabilities	18,419,935	15,765,232
Deferred revenue	520,683	349,515
Current portion of long term debt	2,145,326	1,660,518
	<b>31,982,100</b>	<b>28,377,806</b>
Interest payable	651,493	651,493
Long-term debt	13,024,636	11,178,087
Future tax liabilities	1,059,840	1,162,791
Pension obligation	424,050	391,650
	<b>47,142,119</b>	<b>41,761,827</b>
<b>Shareholders' equity</b>		
Share capital	55,144,398	55,144,398
Contributed surplus	12,383,276	10,132,726
Deficit	(48,512,411)	(46,605,116)
	<b>19,015,263</b>	<b>18,672,008</b>
	<b>66,157,382</b>	<b>60,433,835</b>

ProSep Inc.  
(Formerly TORR Canada Inc.)  
Consolidated statements of cash flows  
For the three-month and nine-month periods  
ended September 30, 2008 and 2007  
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income (loss) and comprehensive income (loss)	<b>1,847,544</b>	(3,062,925)	<b>(1,652,392)</b>	(7,854,073)
Items not affecting cash				
Stock-based compensation	<b>83,719</b>	149,818	<b>338,438</b>	480,379
Amortization of property & equipment	<b>190,009</b>	73,569	<b>591,796</b>	241,556
Amortization of intangible assets	<b>169,676</b>	27,187	<b>509,030</b>	81,562
Amortization of financing related costs	-	70,583	-	211,749
Accreted interest	<b>133,208</b>	133,291	<b>272,387</b>	370,821
Accrued interest on long term investment	-	753	-	(140,604)
Decrease in fair value of investment in ABCP	-	1,620,000	<b>450,000</b>	1,620,000
Periodic pension cost	<b>10,783</b>	-	<b>32,399</b>	-
Future income taxes	<b>56,856</b>	-	<b>(107,474)</b>	-
Change in fair value of derivative financial instruments	<b>(179,571)</b>	103,550	<b>(143,550)</b>	(83,450)
Unrealized exchange gain	<b>(1,498,444)</b>	-	<b>(176,338)</b>	-
	<b>813,780</b>	(884,174)	<b>114,296</b>	(5,072,060)
Changes in non-cash operating working capital items	<b>(5,805,382)</b>	569,198	<b>(6,060,331)</b>	270,242
	<b>(4,991,602)</b>	(314,976)	<b>(5,946,035)</b>	(4,801,818)
<b>Investing activities</b>				
Acquisition of property and equipment	<b>(195,116)</b>	(11,027)	<b>(489,864)</b>	(374,492)
Investment	-	(6,667,035)	-	(6,667,035)
Deferred costs	-	(526,698)	-	(1,089,307)
	<b>(195,116)</b>	(7,204,760)	<b>(489,864)</b>	(8,130,834)
<b>Financing activities</b>				
Change in bank indebtedness	-	-	-	(4,002,129)
Increase in long term debt	-	-	<b>4,762,473</b>	-
Share issue cost	-	-	<b>(141,777)</b>	-
Reimbursement of long-term debt	<b>(6,409)</b>	(547)	<b>(904,345)</b>	(1,705)
Issuance of share capital	-	16,250	-	17,917
	<b>(6,409)</b>	15,703	<b>3,716,351</b>	(3,985,917)
Effect of exchange rate on cash and cash equivalents	<b>(43,790)</b>	-	<b>93,744</b>	-
Decrease in cash and cash equivalents	<b>(5,263,049)</b>	(7,504,033)	<b>(2,813,292)</b>	(16,918,569)
Cash and cash equivalents, beginning of period	<b>11,249,925</b>	16,507,702	<b>8,662,634</b>	25,922,238
Cash and cash equivalents, end of period	<b>5,943,086</b>	9,003,669	<b>5,943,086</b>	9,003,669