



SEPROTECH SYSTEMS INCORPORATED

NEWS RELEASE

Canadian Timely Disclosure Pack – For Release 19 December 2008 – after market close

**SEPROTECH ANNOUNCES 2008 FISCAL YEAR END RESULTS
FLAT REVENUE IN FISCAL 2008 – RECORD BACKLOG OF \$5.0M INTO 2009**

Ottawa, Canada: Seprotech Systems Incorporated (SET-X; “Seprotech”) announces the following unaudited results for the fourth quarter 2008 and audited results for the fiscal year ended August 31, 2008.

	Three Months Ended		Year Ended	
	August 31		August 31	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(audited)	(audited)
	<u>\$ 000</u>	<u>\$ 000</u>	<u>\$ 000</u>	<u>\$ 000</u>
Revenue	2,302	2,264	7,606	7,859
Net Income (Loss)	(605)	124	(1,462)	222
Earnings (Loss) per share	(0.02)	0.00	(0.03)	0.01

“Despite difficult economic conditions and in light of the US recession that officially began in December 2007, Seprotech’s results for fiscal 2008 fell short of Management’s growth expectations,” said Martin Hauschild, President and CEO of Seprotech. “Despite difficult economic conditions, Seprotech maintained sales revenue of \$ 7.6 million in fiscal 2008 and entered fiscal 2009 with a record backlog of approximately \$ 5.0 million.”

“The loss experienced in fiscal 2008 stems from a fall in gross margins from 33% in fiscal 2007 to 24% in 2008, which resulted primarily from the earnings sharing provisions on backlog from the acquisition of the assets of P.J. Hannah Equipment Sales Corp. (“PJH”),” continued Hauschild. “The execution of the PJH backlog and integration of its operations has now been completed and provides essential local coverage in Western Canada for our customer base in the resource sector in addition to skilled staff and distribution – both key elements in achieving future growth for Seprotech. However, we did have some unanticipated issues with the vendor that has resulted in some additional costs accrued in the fourth quarter”.

As a result of the unequal distribution of revenues, the period over which revenue is recognized and due to the lengthy realization of the sales pipeline, the Company is not in compliance with financial covenant ratios pertaining to a \$920,000 operating loan provided by a financial institution. The Company has subsequently obtained a conditional waiver from that institution through January 31, 2009. The waiver is conditional upon receiving in January from the Company, a detailed pro-forma projection for 2009 that demonstrates plans for restoring the required financial ratios.

“Seprotech remains committed to expanding its proprietary technology base and substantially increased R&D investments in developing and patenting CrystalBlue™ water reuse technology in fiscal 2008,” continued M. Hauschild. “The CrystalBlue™ technological innovation by Seprotech makes water recycle and reuse a realistic and cost effective proposition in areas faced with water scarcity or shortages,” continued Hauschild. “Seprotech will be seeking California ‘Title 22’ Certification for CrystalBlue™ in early 2009, which is the worldwide ‘gold-standard’ for water-recycling and will position Seprotech to commercialize the technology to its full potential.”

“Moving into fiscal 2009, Seprotech recently announced the intention to acquire an experienced water and wastewater treatment plant operations company, with historical annual revenues of approximately \$2M CAD” added Hauschild. “The addition of plant operating capability will allow Seprotech to provide customers with an integrated solution to meet the growing demand for turnkey infrastructure models that include water treatment equipment, operations and financing. The transaction is expected to close at the end of this year and Management expects the competitive advantage of being an integrated solutions provider will prove to be a key growth driver for Seprotech,” concluded Hauschild.

Seprotech is a provider of pre-engineered water and wastewater treatment plants to the land development, resource sector and military market place, including CrystalBlue™ membrane-based water recycling systems and the ROTORDISK® wastewater treatment systems.

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