



## SEPROTECH SYSTEMS INCORPORATED

### NEWS RELEASE

*Canadian Disclosure Pack – For Immediate Release*

#### **CANCELLATION AND RELEASE OF ESCROWED SHARES**

Seprotech Systems Incorporated (SET-X; “Seprotech”) announces that a total of 1,334,665 common shares have been cancelled and returned to treasury pursuant to the terms of a previously executed escrow agreement.

Effective September 1, 2002, Seprotech entered into an escrow agreement with shareholders of CMS Group Inc. (the “CMS Group”) pursuant to which 1,500,000 common shares were held in escrow pending the parties reaching an agreement as to the working capital of CMS Group at the time it was acquired by Seprotech. The parties entered into an agreement effective August 27, 2004 (the “Release Agreement”) to cancel on a *pro-rata* basis 1,334,665 of the 1,500,000 escrowed common shares and to release the remainder to applicable shareholders.

Pursuant to the terms of the Release Agreement, Seprotech also agreed to release 578,752 common shares which had been held in escrow pursuant to a second escrow agreement made as of September 1, 2002 following receipt of an indemnity payment from the former CMS Group shareholders in the amount of \$30,439 and an undertaking from a former major shareholder of CMS Group with respect to costs relating to certain on-going litigation.

In a separate matter, Seprotech wishes to announce that it has reached a settlement with outside members of the Seprotech board of directors (“Directors”) with respect to debts owed to such Directors for the period of September 27, 2002 to February 29, 2004. During that period of time, Seprotech accrued directors’ fees in the aggregate amount of \$50,500. Seprotech and the Directors have agreed to convert the entire amount of the debt into common shares of Seprotech, which will result in Seprotech issuing an aggregate of 168,333 common shares to the Directors at a price of \$0.30 per share. Seprotech has received the final approval of the TSX Venture Exchange for the shares for debt transaction.

As a result of the reduction in the share number resulting from the aforementioned escrow-related transactions and the increase in the share number resulting from the aforementioned Directors’ fees transaction, the share register and records of Seprotech have been reduced to show that 31,850,200 common shares remain issued and outstanding.

Seprotech is a provider of pre-engineered water and wastewater treatment plants to the land development, industrial and military market place, including membrane-based water treatment systems and the ROTORDISK® biological sewage treatment system.

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The TSX Venture Exchange has neither approved nor disapproved of the information contained herein.