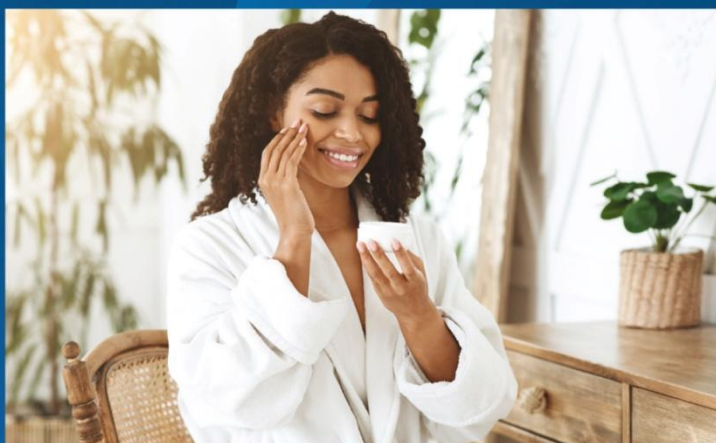


TSXV: CZO
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Q1 2021



**Unaudited Condensed Consolidated
Financial Statements for the
First Quarter ended March 31, 2021**

Management's Discussion & Analysis

The MD&A provides commentary on the results of operations for the periods ended March 31, 2021 and 2020, the financial position as at March 31, 2021, and the outlook of Ceapro Inc. ("Ceapro" and "the Company") based on information available as at May 18, 2021. The following information should be read in conjunction with the unaudited interim condensed consolidated financial statements as at March 31, 2021, and related notes thereto, as well as the audited consolidated financial statements for the year ended December 31, 2020, which are prepared in accordance with International Financial Reporting Standards (IFRS), and the Management's Discussion and Analysis (MD&A) for the year ended December 31, 2020. All comparative percentages are between the periods ended March 31, 2021 and 2020 and all dollar amounts are expressed in Canadian currency, unless otherwise noted. Additional information about Ceapro can be found on SEDAR at www.sedar.com.

Forward-looking Statements

This MD&A offers our assessment of Ceapro's future plans and operations as at May 18, 2021 and contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, including those discussed below. Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. No assurance can be given that any of the events anticipated will transpire or occur, or if any of them do so, what benefits Ceapro will derive from them. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise unless required by law.

Vision, Core Business, and Strategy

Ceapro is incorporated under the Canada Business Corporations Act; and its wholly-owned subsidiaries, Ceapro Technology Inc., Ceapro Active Ingredients Inc., and Ceapro BioEnergy Inc., are incorporated under the Alberta Business Corporations Act. Ceapro (P.E.I.) Inc. is a wholly-owned subsidiary incorporated in Prince Edward Island. Ceapro USA Inc. is a wholly-owned subsidiary incorporated in the state of Nevada. Juvente^{DC} Inc. (Juvente), is a wholly-owned subsidiary incorporated under the Canada Business Corporations Act.

Ceapro is a growth stage biotechnology company. Our primary business activities relate to the development and commercialization of natural products for personal care, cosmetic, human, and animal health industries using proprietary technology, natural, renewable resources, and developing innovative products, technologies, and delivery systems.

Our products include:

- A commercial line of natural active ingredients, including *beta glucan*, *avenanthramides (colloidal oat extract)*, *oat powder*, *oat oil*, *oat peptides*, and *lupin peptides*, which are marketed to the personal care, cosmetic, medical, and animal health industries through our distribution partners and direct sales;
- A commercial line of natural anti-aging skincare products, utilizing active ingredients including beta glucan and avenanthramides, which are marketed to the cosmeceuticals market through our wholly-owned subsidiary, Juvente^{DC} Inc.; and
- Veterinary therapeutic products, including an *oat shampoo*, an *ear cleanser*, and a *dermal complex/conditioner*, which are manufactured and marketed to veterinarians in Japan and Asia.

Other products and technologies are currently in the research and development or pre-commercial stage. These technologies include:

- A potential platform using our *beta glucan* formulations to deliver compounds used for treatments in both personal and healthcare sectors;

- A variety of novel enabling technologies including Pressurized Gas eXpanded drying technology which is currently being tested on oat beta glucan but may have application for multiple classes of compounds; and
- The development of new technologies to increase the content of avenanthramides to high levels to enable new innovative products to be introduced to new markets including functional foods, nutraceuticals, and botanical drugs.

Our vision is to be a global leader in developing and commercializing products for the human and animal health markets through the use of proprietary technologies and renewable resources. We act as innovator, advanced processor, and formulator in the development of new products. We deliver our technology to the market through distribution partnerships and direct sales efforts. Our strategic focus is in:

- Identifying unique plant sources and technologies capable of generating novel active natural products;
- Increasing sales and expanding markets for our current active ingredients;
- Developing and marketing additional high-value proprietary therapeutic natural products;
- Developing and improving manufacturing technologies to ensure efficiencies; and
- Advancing new partnerships and strategic alliances to develop new commercial active ingredients with various formulations to expand our markets.

As a knowledge-based enterprise, we will also expand and strengthen our patent portfolio and build the necessary infrastructure to become a global biopharmaceutical company.

Our business growth depends on our ability to access global markets through distribution partnerships. Our marketing strategy emphasizes providing technical support to our distributors and their customers to maximize the value of our technology and product utilization. Our vision and business strategy are supported by our commitment to the following core values:

- Adding value to all aspects of our business;
- Enhancing the health of humans and animals;
- Discovering and commercializing new, therapeutic natural ingredients and bioprocessing technologies;
- Producing the highest quality work possible in products, science, and business; and
- Developing personnel through guidance, opportunities, and encouragement.

To support these objectives, we believe we have strong intellectual and human capital resources and we are developing a strong base of partnerships and strategic alliances to exploit our technology. The current economic environment provides challenges in obtaining financial resources to fully exploit opportunities. To fund our operations, Ceapro relies upon revenues primarily generated from the sale of active ingredients, and the proceeds of public and private offerings of equity securities, debentures, government grants and loans, and other investment offerings.

Risks and Uncertainties

Biotechnology companies are subject to a number of risks and uncertainties inherent in the development of any new technology. General business risks include: uncertainty in product development and related clinical trials and validation studies, the regulatory environment, for example, delays or denial of approvals to market our products, the impact of technological change and competing technologies, the ability to protect and enforce our patent portfolio and intellectual property assets, the availability of capital to finance continued and new product development, and the ability to secure strategic partners for late stage development, marketing, and distribution of our products. To the extent possible, we pursue and implement strategies to reduce or mitigate the risks associated with our business.

The Company has exposure to financial instrument and other risks as follows:

a) Credit risk

Trade and other receivables

The Company makes sales to distributors that are well-established within their respective industries. Based on previous experience, the counterparties had zero default rates and management views this risk as minimal. Approximately 90% of trade receivables are due from one distributor at March 31, 2021 (December 31, 2020 – 90% from one distributor). This main distributor is considered to have good credit quality and historically has had a high quality credit rating. The majority of the Company's sales are invoiced on standard commercial terms of 30 days.

The aging of trade receivables is as follows:

	March 31, 2021 \$	December 31, 2020 \$
Not yet due	2,218,042	407,993
Less than 30 days past due	688,971	1,419,731
Less than 60 days past due, more than 30 days past due	-	191,999
More than 60 days past due	-	-
Total	2,907,013	2,019,723

The Company has not assessed any trade receivables past due as impaired.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for March 31, 2021 and December 31, 2020 are not significant and have not been recognized.

Other receivables represent amounts due for research program claims, government funding claims, government goods and services taxes, and scientific research and development tax credits. The collectability risk is deemed to be low because of the good quality credit rating of the counter-parties.

Cash and cash equivalents

The Company has cash and cash equivalents in the amount of \$5,239,071 at March 31, 2021 (December 31, 2020 - \$5,369,029) and mitigates its exposure to credit risk on its cash balances by maintaining its bank accounts with Canadian Chartered Banks and investing in low risk, high liquidity investments.

There are no impaired financial assets. The maximum exposure to credit risk is the carrying amount of the Company's trade and other receivables and cash and cash equivalents. The Company does not hold any collateral as security.

b) Liquidity risk

In meeting its financial obligations, the Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability to meet commitments under its current facilities. In order to manage this liquidity risk, the Company regularly reviews its aged trade receivables listing to ensure prompt collections. There is no assurance that the Company will obtain sufficient funding to execute its strategic business plan.

The following are the contractual maturities of the Company's financial liabilities and obligations as at March 31, 2021:

	within 1 year \$	1 to 3 years \$	3 to 5 years \$	over 5 years \$	Total \$
Accounts payable and accrued liabilities	791,089	-	-	-	791,089
CAAP loan	83,884	-	-	-	83,884
Total	874,973	-	-	-	874,973

c) Market risk

Market risk is comprised of interest rate risk, foreign currency risk, and other price risk. The Company's exposure to market risk is as follows:

1. Foreign currency risk

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar.

The following table summarizes the impact of a 1% change in the foreign exchange rates of the Canadian dollar against the US dollar (USD) on the financial assets and liabilities of the Company. The amounts have been translated based on the exchange rate at March 31, 2021.

	Carrying Amount (USD)	Foreign Exchange Risk (CDN)	
		-1%	+1%
		Earnings & Equity	Earnings & Equity
Financial assets			
Accounts receivable	2,311,313	29,065	(29,065)
Financial liabilities			
Accounts payable and accrued liabilities	180,798	(2,274)	2,274
Total increase (decrease)		26,791	(26,791)

The carrying amount of accounts receivable and accounts payable and accrued liabilities in USD represents the Company's exposure at March 31, 2021.

2. Interest rate risk

The Company has minimal interest rate risk because its long-term debt agreements are all at fixed rates.

d) Share price risk

Ceapro's share price is subject to equity market price risk, which may result in significant speculation and volatility of trading due to the uncertainty inherent in the Company's business and the technology industry.

There is a risk that future issuance of common shares may result in material dilution of share value, which may lead to further decline in share price. The expectations of securities analysts and major investors about our financial or scientific results, the timing of such results, and future prospects, could also have a significant effect on the future trading price of Ceapro's shares.

e) People and process risk

A variety of factors may affect Ceapro's future growth and operating results, including the strength and demand for the Company's products, the extent of competition in our markets, the ability to recruit and retain qualified personnel, and the ability to raise capital.

Ceapro's consolidated financial statements are prepared within a framework of IFRS selected by management and approved by the Board of Directors. The assets, liabilities, revenues, and expenses reported in the consolidated financial statements depend to varying degrees on estimates made by management. An estimate is considered a critical accounting estimate if it requires management to make assumptions about matters that are highly uncertain and if different estimates that could have been used would have a material impact. The significant areas requiring the use of management estimates relate to provisions made for impairment of non-financial assets, inventory valuation, amortization of property and equipment, the recognition and valuation of tax liabilities and tax assets, provisions, the assumptions used in determining share-based compensation, and the assumptions used to value royalty obligations. These estimates are based on historical experience and reflect certain assumptions about the future that we believe to be both reasonable and conservative. Actual results could differ from those estimates. Ceapro continually evaluates the estimates and assumptions.

f) Loss of key personnel

Ceapro relies on certain key employees whose skills and knowledge are critical to maintaining the Company's success. Ceapro always strives to identify and retain key employees and always strives to be competitive with compensation and working conditions.

g) Interruption of raw material supply

Interruption of key raw materials could significantly impact operations and our financial position. Interruption of supply could arise from weather-related crop failures or from market shortages. Ceapro attempts to purchase key raw materials well in advance of their anticipated use and is in-licensing technologies from third parties to reduce this risk.

h) Environmental issues

Violations of safety, health, and environmental regulations could limit operations and expose the Company to liability, cost, and reputational impact. In addition to maintaining compliance with national and provincial standards, Ceapro maintains internal safety and health programs.

i) Acquisitions

With our strategic growth plan to expand and transition into nutraceuticals and pharmaceuticals, some of this growth may occur through acquisitions. These transactions may involve acquisitions of entire companies and/or acquisitions of selected assets of companies. Potential difficulties relating to acquisitions include integrating acquired operations, systems and businesses, retaining customer, supplier, employee, or other business relationships of acquired operations, and not achieving anticipated business volumes. The inability to realize the anticipated benefits of acquisitions could adversely affect our business and operating results.

j) Legal matters

In the normal course of operations, the Company may be subject to a variety of legal proceedings, including commercial, product liability, employment, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, and can cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be very expensive, the results of any such actions may have a material adverse effect on our business, operations, or financial condition.

k) Regulatory compliance

As a natural extract producer, Ceapro is subject to various regulations, and violation of these could limit markets into which we can sell. Ceapro has introduced a range of procedures which will ensure that Ceapro is well prepared for new regulations and obligations that may be required.

l) Fair value and impairment

The Company relies on forecasts and estimates in its evaluation of the fair value of financial instruments and the recoverable amounts of non-financial assets in relation to impairment testing. The accuracy of such forecasts are inherently vulnerable to assumptions related to the timing of future events, the size of anticipated markets, forecasted costs, and the expected growth of sales.

m) Public health crisis

The Company is exposed to risks related to pandemics or epidemics such as the ongoing COVID-19 virus pandemic. The Company could experience disruptions in our raw materials supply chain, in our manufacturing operations, and our shipping activities as a result of quarantines, facility closures, travel and logistics restrictions, and other limitations in connection with the outbreak. COVID-19 may adversely affect our employees, our operations, our suppliers, and our customers. While we would expect this to be temporary, there is uncertainty around the duration of the pandemic, especially considering the variants of the virus that have emerged, and its broader impact. The extent to which the pandemic will impact the Company's results will depend on further developments which are highly uncertain and cannot be predicted with great certainty.

Results of Operations

Periods Ended March 31, 2021 and 2020

CONSOLIDATED INCOME STATEMENT

<i>\$000s except per share data</i>	2021	%	2020	%
Total revenues	4,702	100%	4,273	100%
Cost of goods sold	2,444	52%	1,901	44%
Gross margin	2,258	48%	2,372	56%
Research and product development	817	17%	502	12%
General and administration	712	15%	865	20%
Sales and marketing	13	0%	48	1%
Finance costs	94	2%	102	2%
Income from operations	622	13%	855	20%
Other (expenses) income	(107)	-2%	271	6%
Income before tax	515	11%	1,126	26%
Income taxes	-	0%	-	0%
Net income	515	11%	1,126	26%
Basic net income per common share	0.007		0.015	
Diluted net income per common share	0.007		0.014	

The following sections discuss the consolidated results from operations.

Revenue

\$000s	Three Months Ended March 31,		
	2021	2020	Change
Total revenues	4,702	4,273	10%

Total sales revenue increased by approximately \$429,000 or 10% from \$4,273,000 in the first quarter of 2020 to \$4,702,000 in the first quarter of 2021. Product sales volume for the first quarter ended March 31, 2021 was also 10% higher than the comparative quarter and the increase was primarily driven by higher beta glucan sales. These increases were offset by a lower U.S. dollar relative to the Canadian dollar compared to the comparative quarter, which negatively impacted revenue by approximately \$364,000.

Expenses

COST OF GOODS SOLD AND GROSS MARGIN

\$000s	Three Months Ended March 31,		
	2021	2020	Change
Sales	4,702	4,273	10%
Cost of goods sold	2,444	1,901	29%
Gross margin	2,258	2,372	-5%
Gross margin %	48%	56%	

Cost of goods sold is comprised of the direct raw materials required for the specific formulation of products, as well as direct labour, quality assurance and control, packaging, transportation costs, plant costs, and amortization on property and equipment. Aside from labour, rent, quality control related expenses, overhead, and property plant and equipment amortization, the majority of costs are variable in relation to the volume of product produced or shipped.

Cost of goods sold in the first quarter of 2021 was impacted from many factors, including a higher cost of materials to produce the natural products in the quarter. The higher costs having been mostly driven by a larger amount of materials needed due to the nature and the quality of the grain used. Production output was solid in the first quarter of 2021 considering that this quarter was only the second quarter where 100% of the production was strictly made from a new site and where additional adjustments and fine tuning were needed.

During the first quarter ended March 31, 2021, revenue increased by 10%, but cost of goods sold increased by 29%. The increase in cost of goods sold was higher than the increase in revenue which has contributed to an overall decrease in the gross margin percentage from 56% to 48%. While the gross margin percentage in the first quarter of 2021 at 48% was lower than the comparative quarter in 2020, it does represent an improvement over the 37% margin experienced in the fourth quarter of 2020 following the integration of two manufacturing sites under one single site.

RESEARCH AND PRODUCT DEVELOPMENT

\$000s	Three Months Ended March 31,		Change
	2021	2020	
Salaries and benefits	229	213	
Regulatory and patents	107	1	
Clinical studies	381	134	
Other	100	154	
Total research and product development expenditures	817	502	63%

During the three month period ended March 31, 2021, research and development expenses increased by \$315,000 or 63%. The increase is primarily due to higher expenditures related to the pilot clinical study for the development of beta glucan as a cholesterol reducer, higher regulatory and patent expense, and higher salaries and benefits expense offset partially due to lower expenditures on other projects.

Enrollment of the beta glucan study steadily increased during the second half of fiscal 2020 and this has continued during the first quarter of 2021. As a result, expenditures related to the study have increased during this quarter compared to the prior quarter where activity on the study was delayed while regulatory approval from Health Canada was being obtained for a protocol amendment.

Regulatory and patents expense will vary from period to period based on the timing of filings and maintenance payments. Because of timing differences, the current quarter is higher than the comparative quarter as a significant amount of prior year maintenance costs were incurred in the second and third quarters of 2020 instead of the first quarter.

Research and development salaries expense is slightly higher in the current quarter compared to the prior quarter partly due to additional salary from the hiring of a new PGX team member in September of 2020 and partly due to lower grant funding received in the current quarter offset partially by lower share-based payments expense in the current quarter as there were no stock options or RSU's granted.

Expenditures on other projects during the current quarter are lower than the comparative quarter primarily due to the completion of a research program to study the bio-activity of new formulations of the Company's value driver active ingredients in the prior quarter, offset by higher spending on PGX research in the current quarter. The Company intends to commence additional research programs in the second half of 2021 which is in line with the Company's business model of focusing on investing in its various enabling technologies, research on product development, and new applications for its value driving products.

GENERAL AND ADMINISTRATION

\$000s	Three Months Ended March 31,		
	2021	2020	Change
Salaries and benefits	169	239	
Consulting	120	120	
Licensing activities	46	60	
Board of Directors compensation	41	69	
Insurance	40	36	
Accounting and audit fees	18	23	
Rent	17	12	
Public company costs	106	131	
Travel	-	24	
Depreciation and amortization	84	88	
Legal	7	1	
Other	64	62	
Total general and administration expenses	712	865	-18%

General and administration expense for the three month period ended March 31, 2021 decreased by \$153,000 or 18% from the comparative quarter.

The decrease is partially due to a decrease in salaries and benefit expense which was due to lower share-based payment expense as no stock options or RSU's were granted in the current quarter, due to lower staffing in the administrative department in the current quarter, and due to the Company's subsidiary being eligible for an additional wage subsidy of \$5,840 offsetting payroll expense. The overall decrease in general and administration expense is also due to lower Board of Director compensation expense solely attributable to lower share-based payment expense in the current quarter, lower travel costs attributable to continued company-wide travel restrictions put in place as a result of COVID-19 and due to lower public company costs as a couple of investor communication programs were scaled back.

SALES AND MARKETING

\$000s	Three Months Ended March 31,		
	2021	2020	Change
Sales and marketing salaries	-	1	
Courses, conferences & advertising	13	47	
Total sales and marketing	13	48	-73%

Sales and marketing expense for the three month period ended March 31, 2021 decreased by \$35,000 or 73% from the comparative quarter.

The decrease is primarily attributable to lower advertising and marketing expenditures in Juvente as the Company is not focusing on these activities while the COVID-19 pandemic has restricted sales activities primarily to website sales in the subsidiary. Due to COVID-19 travel and safety restrictions, all in-person conferences and trade shows have continued to be deferred until it is determined to be safe to attend.

FINANCE COSTS

\$000s	Three Months Ended March 31,		
	2021	2020	Change
Interest on lease liabilities	36	40	
Royalties	55	55	
Accretion of CAAP loan	3	5	
Interest on long-term debt	-	1	
Transaction costs	-	1	
	94	102	-8%

Finance costs decreased by 8% or \$8,000 in the three month period ended March 31, 2021 from \$102,000 in 2020 to \$94,000.

The decrease is partially attributable to lower accretion on the CAAP loan and lower interest on the lease liabilities as the principal portions of these liabilities are lower from ongoing repayment. The decrease is partially due to there being no interest on long-term debt or transactions costs in the current period as the long-term debt was fully repaid in July 2020.

OTHER EXPENSES (INCOME)

\$000s	Three Months Ended March 31,		
	2021	2020	Change
Foreign exchange (gain) loss	76	(284)	
Plant relocation costs	28	14	
Other expense (income)	3	(1)	
	107	(271)	-139%

During the three month period ended March 31, 2021, other expenses (income) went from other income of \$271,000 to other expenses of \$107,000 representing a decrease of \$378,000 or 139%. This decrease was primarily due to a foreign exchange loss during the current period compared to a foreign exchange gain the comparative period.

The Company's foreign exchange losses and gains are primarily due to the translation of US dollar denominated accounts receivable and accounts payable balances, and from the timing of the realization of these balances. Foreign exchange will fluctuate between the quarters due to fluctuations between the US dollar and the Canadian dollar. During the first quarter of 2020, the Canadian dollar weakened significantly which resulted in a foreign exchange gain in that quarter, but since then, and during the first quarter of 2021, the US dollar has continued to weaken which has resulted in foreign exchange loss for the current period.

Plant relocation costs represent costs incurred relating to the new manufacturing facility that are not directly related to the acquisition and construction of the new manufacturing facility and therefore are not eligible to be capitalized. While the Leduc manufacturing facility was shut down in the third quarter of 2020 and was decommissioned in the fourth quarter of 2020 there are still some associated storage costs. Also included in this account are costs relating to additional bays of the facility that have not commenced construction.

DEPRECIATION AND AMORTIZATION EXPENSE

In the three month period ended March 31, 2021, the total depreciation and amortization expense was \$468,000 which was consistent with the expense of \$460,000 in the comparative period in 2020. The expense was allocated as follows: \$83,000 to general and administration expense (2020 - \$88,000), \$59,000 to inventory (2020 - \$91,000), and \$326,000 (2020 - \$281,000) to cost of goods sold.

SEGMENTED FINANCIAL PERFORMANCE

The Company has two operating segments, the active ingredient product technology industry and the cosmeceutical industry. The cosmeceutical industry segment is operated through Juvente, a private company which was acquired on October 25, 2017.

Juvente is in the start-up phase, so the segment does not contribute significantly to revenue generation at this time. The segment's expenses during the current and comparative period primarily relate to general and administrative costs and sales and marketing costs. General and administrative expenses in Juvente between the current and comparative quarter were approximately \$14,000 lower, and this difference is primarily due to lower salary expense, with Juvente decreasing general and administrative activities in the quarter and also being eligible to receive wage subsidies totaling \$5,840. Sales and marketing expense is approximately \$35,000 lower than the comparative quarter as discussed in the sales and marketing section.

Juvente was acquired to execute on a strategic market diversification strategy to expand the Company's product portfolio with the development of formulations that utilize the Company's two value drivers, beta glucan and avenanthramides, and to enable the Company to enter into the high-end cosmeceuticals market and market directly to the end-user. The development of the formulations and new market would assist the Company with the strategy of utilizing the formulations as a delivery system for various bioactives.

Quarterly Information

The following selected financial information is derived from Ceapro's unaudited quarterly financial statements for each of the last eight quarters, all of which cover periods of three months. All amounts shown are in Canadian currency.

\$000s except per share data	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenues	4,702	2,706	3,476	4,666	4,273	3,721	2,908	3,054
Net income (loss)	515	(539)	192	1,077	1,126	166	(104)	(559)
Basic net income (loss) per common share	0.007	(0.007)	0.002	0.014	0.015	0.002	(0.001)	(0.007)
Diluted net income (loss) per common share	0.007	(0.007)	0.002	0.014	0.014	0.002	(0.001)	(0.007)

Ceapro's quarterly sales and results primarily fluctuate due to variations in the timing of customer orders, different product mixes, and changes in the capacity to manufacture products.

Significant New Accounting Standards

There were no new standards that became effective for periods beginning on or after January 1, 2021 that have a material impact on the Company's unaudited interim condensed consolidated financial statements for the quarter ending March 31, 2021.

New standards and amendments to existing standards have been published by the International Accounting Standards Board that are not yet effective. These standards are not expected to be relevant or material to the Company.

Liquidity and Capital Resources

CAPITAL EMPLOYED

<i>\$000s</i>	March 31, 2021	December 31, 2020
Non-current assets	20,056	20,174
Current assets	9,373	9,050
Current liabilities	(1,126)	(1,391)
Total assets less current liabilities	28,303	27,833
Non-current liabilities	3,452	3,523
Shareholders' equity	24,851	24,310
Total capital employed	28,303	27,833

Non-current assets decreased by \$118,000 primarily due to a depreciation provision of \$467,000 and an amortization provision on licences of \$1,000, offset by the acquisition of \$350,000 of property and equipment.

Current assets increased by \$323,000 primarily due to an increase trade and other receivables in the amount of \$815,000 offset by a decrease in inventories of \$211,000, a decrease in prepaid expenses and deposits of \$150,000, and from a decrease in cash of \$130,000 primarily from the purchase of property and equipment during the quarter.

Current liabilities totaling \$1,126,000 decreased by the net amount of \$265,000 primarily due to a decrease in accounts payable and accrued liabilities of \$277,000 offset by an increase in the current portion of lease liabilities of \$10,000, and an increase in the current portion of CAAP loan of \$3,000 from accretion.

Non-current liabilities totaling \$3,452,000 decreased by the net amount of \$71,000 primarily due to the repayment of lease liabilities and reallocation of current portion of the lease liabilities.

Equity of \$24,851,000 at March 31, 2021 increased by \$541,000 from equity of \$24,310,000 at December 31, 2020, primarily due to the recognition of net income of \$515,000 for the three month period ended March 31, 2021, the recognition of share-based payment compensation of \$4,000, and due to the issuance of shares from the exercise of stock options of \$22,000.

SOURCES AND USES OF CASH

The following table outlines our sources and uses of funds during the periods ended March 31, 2021 and 2020.

\$000s	Three Months Ended March 31,	
	2021	2020
Sources of funds:		
Funds generated from operations adjusted for non-cash items	1,026	1,726
Share issuance	22	-
	<u>1,048</u>	<u>1,726</u>
Uses of funds:		
Purchase of property and equipment	(253)	(20)
Purchase of leasehold improvements	(19)	-
Changes in non-cash working capital items relating to operating activities	(685)	(1,154)
Changes in non-cash accounts payable and accrued liabilities relating to investing activities	(123)	-
Interest paid	(36)	(41)
Repayment of long-term debt	-	(48)
Repayment of lease liabilities	(62)	(65)
	<u>(1,178)</u>	<u>(1,328)</u>
Net change in cash flows	<u>(130)</u>	<u>398</u>

Net change in cash flow was a decrease of \$130,000 during the three month period ended March 31, 2021 in comparison with an increase of \$398,000 for the comparative period. A significant reason for the difference relates to an increase in the purchase of property and equipment in the current period over the prior period primarily relating to investment into equipment to scale up the Company's PGX technology and to investment in capital improvements in production. Cash generated from operations of \$341,000 (after adjustment for non-cash items and working capital items) in the current period was also lower than the comparative period where cash generated from operations was \$572,000. These decreases were offset by \$22,000 from share issuance proceeds and no long-term debt repayment in the current period.

The Company has a positive working capital balance (defined as current assets less current liabilities) of \$8,246,972 at March 31, 2021. The Company estimates that the cash flows generated by its existing operating activities as well as cash available through other sources will be sufficient to finance its operating expenses, maintain capital investment, and service debt needs. However, the Company has several ongoing research and development projects, planned upcoming clinical trials, and planned installation of a new ethanol recovery system, and management will have to prioritize expenditures on those projects that are in line with our stated objectives to develop new product applications and expand to the nutraceutical sector which we consider will provide the most beneficial outcome and value to our shareholders.

To meet future requirements, Ceapro may raise additional cash through some or all of the following methods: public or private equity or debt financing, income offerings, capital leases, collaborative and licensing agreements, potential strategic alliances with partners, government programs, and other sources. There can be no assurance that the Company will be able to access capital when needed. The ability to generate new cash will depend on external factors, many beyond the Company's control, as outlined in the Risks and Uncertainties section. Should sufficient capital not be raised, Ceapro may have to delay, reduce the scope of, eliminate, or divest one or more of its discovery, research, or development technology or programs, any of which could impair the value of the business.

Total common shares issued and outstanding as at May 18, 2021 were 77,672,843 (May 26, 2020 – 77,608,341). In addition, 2,991,999 stock options as at May 18, 2021 (May 26, 2020 – 3,179,501 stock options) were outstanding that are potentially convertible into an equal number of common shares at various prices.

GRANT FUNDING

a) The Company entered into Canadian Agricultural Adaptation Program ("CAAP") repayable contribution agreements for total possible funding of \$1,339,625 receivable over the years from October 7, 2010 through September 30, 2012. During the year ended December 31, 2012, the Company voluntarily amended the maximum possible funding under the agreement to \$671,068 as a result of lower anticipated project expenditures. The end date for project expenditures was also extended one year to September 30, 2013. All amounts claimed under the program are repayable interest free over eight years beginning in 2014. The Company received or recorded as receivable funding of \$671,068 to December 31, 2013 under this program and no further funds are expected.

b) During the year ended December 31, 2019, the Company entered into a contribution agreement with the National Research Council of Canada's Industrial Research Assistance Program (NRC -IRAP) for non-repayable funding of up to a maximum \$268,000 for costs incurred on the continued development of the Company's PGX Technology for the generation of biopolymers or drug delivery systems for deployment into the functional food, cosmetic, and drug delivery markets. During the year ended December 31, 2019, the Company received or recorded as a receivable \$153,936 which was recorded as a reduction of research and development expenses. As at December 31, 2019, NRC – IRAP and the Company agreed to amend the contribution agreement to decommit \$25,000 of the non-repayable funding. The agreement has been amended twice in 2020. During the first quarter of 2020, NRC–IRAP and the Company agreed to amend the contribution agreement to increase funding by \$107,000 for the period April 1, 2020 – March 31, 2022 and in October 2020, the contribution agreement was amended again to increase funding by \$240,000 for the period April 1, 2020 - March 31, 2022. During the year ended December 31, 2020, the Company received or recorded as a receivable \$367,542 which has been recorded as a reduction of research and development expenses. During the first quarter of 2021, the Company received or recorded as a receivable \$63,522 which has been recorded as a reduction of research and development expenses. The Company anticipates receiving an additional \$5,000 during the remainder of 2021.

Related Party Transactions

During the three month period ended March 31, 2021, the Company paid key management salaries, short-term benefits, consulting fees, and director fees totaling \$248,000 (2020 – \$253,000) and share-based payments expense for key management personnel was \$2,000 (2020 - \$63,000).

The amount payable to directors at March 31, 2021 was \$40,000 (2020 - \$40,000).

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Commitments and Contingencies

(a) During the year ended December 31, 2012, the Company entered into a licence agreement for a new technology to increase the concentration of avenanthramides in oats. The Company shall pay an annual royalty percentage rate of 2% of sales, payable every January 1st and July 1st, subject to a minimum annual royalty payment according to the schedule below:

<u>Year</u>	<u>Amount</u>
2012	nil
2013	\$12,500
2014	\$37,500
2015	\$50,000
2016	\$50,000

And \$50,000 each year thereafter while the licence agreement remains in force. The agreements remain in force until the patents expire or are abandoned.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

(b) During the year ended December 31, 2014, the Company entered into a licence agreement with the University of Alberta for the rights to an enabling pressurized gas expanded PGX technology that would allow the development, production, and commercialization of powder formulations that could be used as active ingredients.

In accordance with the agreement and as amended on February 2, 2015, the Company shall pay the following royalties, payable on a semi-annual basis:

- (a) a royalty of 3.5% of net sales generated from the field of pharmaceuticals;
- (b) a royalty of 3.0% of net sales generated from the field of nutraceuticals;
- (c) a royalty of 2.75% of net sales generated from the field of cosmetics;
- (d) a royalty of 1.0% of net sales generated from the field of functional foods;
- (e) a royalty of 3.0% of net sales generated from other fields.

The Company shall pay a minimum annual advance on earned royalties of \$5,000 commencing March 1, 2017 and every year thereafter while the licence agreement remains in force.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

Outlook

While experiencing a third wave of the COVID-19 pandemic crisis in Alberta, our focus remains more than ever on the health and safety of our associates followed by business continuity. Depending on the evolution of this pandemic, we expect Ceapro's cosmeceuticals base business to continue to grow and provide positive cash flows to support the expansion to a new business model from a contract manufacturer/commodity company to a high value life science/biopharmaceutical company involved in nutraceuticals and pharmaceuticals. As part of new product development, the Company will emphasize the development of formulations potentially allowing delivery of bioactives through different modes of administration (oral, topical, sub-lingual, nasal spray). The development of such delivery systems being made possible using Ceapro's proprietary PGX Technology for which we have started the design and acquired pieces of equipment suitable for assembling a commercial scale unit for the processing of alginate and Beta Glucan extracted from yeast, a new product which is poised to become a key strategic asset for the Company.

To date, the Company's business has not been significantly impacted by the COVID-19 pandemic. The Company is maintaining additional preventative measures to ensure the highest level of safety for Ceapro's employees. The Company will continue to work hard to manage some current supply chain disruptions to ensure we can reliably continue to offer our high quality products throughout the pandemic and even beyond. Should the Company be able to service its customers without disruption, management believes the prospects for the Company remain strong for the upcoming year.

Ceapro has all the key components for success based on a solid foundation, a highly competent team, a healthy balance sheet, and a strong technology and product portfolio with the potential of getting into very large markets.

Additional Information

Additional information relating to Ceapro Inc., including a copy of the Company's Annual Report and Proxy Circular, can be found on SEDAR at www.sedar.com.

Financial Statements

**Unaudited Condensed Consolidated Financial Statements for the
First Quarter Ended March 31, 2021**

Ceapro Inc.

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of Ceapro Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Financial Statements

CEAPRO INC.

Consolidated Balance Sheets

Unaudited

	March 31, 2021	December 31, 2020
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	5,239,071	5,369,029
Trade receivables	2,907,013	2,019,723
Other receivables	29,576	102,224
Inventories (note 3)	998,911	1,210,079
Prepaid expenses and deposits	198,804	348,845
	9,373,375	9,049,900
Non-Current Assets		
Investment tax credits receivable	607,700	607,700
Deposits	82,124	82,124
Licences (note 4)	17,773	18,514
Property and equipment (note 5)	18,473,734	18,591,189
Deferred tax assets	874,304	874,304
	20,055,635	20,173,831
TOTAL ASSETS	29,429,010	29,223,731
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	791,089	1,067,622
Current portion of lease liabilities (note 6)	260,307	250,658
Current portion of CAAP loan (note 8)	75,007	72,263
	1,126,403	1,390,543
Non-Current Liabilities		
Long-term lease liabilities (note 6)	2,577,698	2,648,917
Deferred tax liabilities	874,304	874,304
	3,452,002	3,523,221
TOTAL LIABILITIES	4,578,405	4,913,764
Equity		
Share capital (note 7 (b))	16,549,875	16,511,067
Contributed surplus (note 7 (e))	4,669,347	4,682,393
Retained earnings	3,631,383	3,116,507
	24,850,605	24,309,967
TOTAL LIABILITIES AND EQUITY	29,429,010	29,223,731

See accompanying notes

Approved on Behalf of the Board

SIGNED: "John Zupancic"
Director

SIGNED: "Dr. Ulrich Kosciessa"
Director

Financial Statements

CEAPRO INC.
Consolidated Statements of Net Income and Comprehensive Income
Unaudited

	2021	2020
Three Months Ended March 31,	\$	\$
Revenue (note 14)	4,701,743	4,273,374
Cost of goods sold	2,443,800	1,901,223
Gross margin	2,257,943	2,372,151
Research and product development	816,847	502,542
General and administration	712,207	865,034
Sales and marketing	13,238	48,228
Finance costs (note 11)	93,910	101,609
Income from operations	621,741	854,738
Other (expenses) income (note 10)	(106,865)	271,317
Income before tax	514,876	1,126,055
Income taxes	-	-
Total comprehensive income for the period	514,876	1,126,055
Net income per common share (note 17):		
Basic	0.01	0.01
Diluted	0.01	0.01
Weighted average number of common shares outstanding (note 17):		
Basic	77,651,031	77,538,314
Diluted	78,709,975	77,880,861

See accompanying notes

Financial Statements

CEAPRO INC.
Consolidated Statements of Changes in Equity
Unaudited

	Share capital \$	Contributed surplus \$	Retained earnings \$	Total equity \$
Balance December 31, 2020	16,511,067	4,682,393	3,116,507	24,309,967
Share-based payments (note 7 (c) & (d))	-	3,742	-	3,742
Share options exercised	38,808	(16,788)	-	22,020
Net income for the period	-	-	514,876	514,876
Balance March 31, 2021	16,549,875	4,669,347	3,631,383	24,850,605
Balance December 31, 2019	16,401,677	4,650,090	1,260,407	22,312,174
Share-based payments (note 7 (c) & (d))	-	93,548	-	93,548
Restricted share units vested (note 7 (d))	101,412	(101,412)	-	-
Net income for the period	-	-	1,126,055	1,126,055
Balance March 31, 2020	16,503,089	4,642,226	2,386,462	23,531,777

See accompanying notes

Financial Statements

CEAPRO INC.
Consolidated Statements of Cash Flows
Unaudited

Three Months Ended March 31,	2021 \$	2020 \$
OPERATING ACTIVITIES		
Net income for the period	514,876	1,126,055
Adjustments for items not involving cash		
Finance costs	36,166	40,947
Transaction costs	-	554
Depreciation and amortization	468,153	460,088
Accretion	2,744	5,108
Share-based payments	3,742	93,548
Net income for the period adjusted for non-cash items	1,025,681	1,726,300
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	(887,290)	(264,398)
Other receivables	72,648	(24,076)
Inventories	211,168	(347,853)
Prepaid expenses and deposits	72,574	(54,186)
Accounts payable and accrued liabilities relating to operating activities	(153,619)	(463,443)
Total changes in non-cash working capital items	(684,519)	(1,153,956)
Net income for the period adjusted for non-cash and working capital items	341,162	572,344
Interest paid	(36,166)	(40,947)
CASH GENERATED FROM OPERATIONS	304,996	531,397
INVESTING ACTIVITIES		
Purchase of property and equipment	(253,018)	(20,099)
Purchase of leasehold improvements	(19,472)	-
Accounts payable and accrued liabilities relating to investing activities	(122,914)	-
CASH USED IN INVESTING ACTIVITIES	(395,404)	(20,099)
FINANCING ACTIVITIES		
Stock options exercised	22,020	-
Repayment of long-term debt	-	(48,520)
Repayment of lease liabilities	(61,570)	(64,987)
CASH USED IN FINANCING ACTIVITIES	(39,550)	(113,507)
(Decrease) increase in cash and cash equivalents	(129,958)	397,791
Cash and cash equivalents at beginning of the period	5,369,029	1,857,195
Cash and cash equivalents at end of the period	5,239,071	2,254,986

See accompanying notes

Cash and cash equivalents are comprised of \$5,232,233 (2020 - \$2,248,148) on deposit with financial institutions and \$6,838 (2020 - \$6,838) held in money market mutual funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020
Unaudited

1. NATURE OF BUSINESS OPERATIONS

Ceapro Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange under the symbol CZO and on the OTCQX® Best Market under the symbol CRPOF. The Company's primary business activities relate to the development and marketing of various health and wellness products and technology relating to plant extracts.

The Company's head office address is 7824 51 Avenue NW, Edmonton, AB T6E 6W2.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements, including IFRS 34, "Interim Financial Reporting". The accounting principles and methods of computation adopted in these financial statements are the same as those of the annual financial statements for the year ended December 31, 2020.

Omitted from these statements are certain information and note disclosures normally included in the annual financial statements. The financial statements and notes presented should be read in conjunction with the annual financial statements for the year ended December 31, 2020.

The Audit Committee authorized these interim condensed consolidated financial statements for issue on May 18, 2021.

b) Basis for presentation

These consolidated financial statements have been prepared on the historical cost basis. All transactions are recorded on an accrual basis.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Ceapro Technology Inc., Ceapro Active Ingredients Inc., Ceapro BioEnergy Inc., Ceapro (P.E.I) Inc., Ceapro USA Inc., and Juvente^{DC} Inc.

All intercompany accounts and transactions have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3. INVENTORIES

The Company had the following inventories at the end of each reporting period:

	March 31, 2021 \$	December 31, 2020 \$
Raw materials	542,577	540,425
Work in progress	229,588	148,162
Finished goods	226,746	521,492
	998,911	1,210,079

Inventories expensed to cost of goods sold during the three month period ended March 31, 2021 are \$2,424,480 (March 31, 2020 - \$1,820,701).

4. LICENCES

During the year ended December 31, 2014, and as amended on February 2, 2015, the Company entered into a licence agreement with the University of Alberta for the rights to a technology that would allow the development, production, and commercialization of powder formulations that could be used as active ingredients for all industrial applications. The agreement expires after a term of 20 years or after the expiration of the last patent obtained, whichever event shall occur first. There is no initial licence fee, but the Company is required to make royalty payments (see note 13 (b)).

During the year ended December 31, 2012, the Company entered into a licence agreement for a new technology to increase the concentration of avenanthramides in oats. The Company paid a fee of \$44,439 to cover previous patent costs and commenced amortizing the licence over 15 years in April 2012. Amortization of \$741 has been included in general and administration expense for the three month period ended March 31, 2021 (March 31, 2020 - \$741) (see note 13 (a)).

Cost of licences	\$
Balance - December 31, 2020	44,439
Additions	-
Balance - March 31, 2021	44,439
Accumulated amortization	
Balance - December 31, 2020	25,925
Amortization	741
Balance - March 31, 2021	26,666
Net book value	
Balance - March 31, 2021	17,773
Balance - December 31, 2020	18,514

5. PROPERTY AND EQUIPMENT

	Equipment not available for use	Manufacturing Equipment	Office Equipment	Computer Equipment	Buildings	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$	\$	\$
December 31, 2020	1,518,826	11,999,108	319,219	483,565	3,430,656	8,704,977	26,456,351
Additions	233,879	92,224	500	3,882	-	19,472	349,957
March 31, 2021	1,752,705	12,091,332	319,719	487,447	3,430,656	8,724,449	26,806,308
Accumulated Depreciation							
December 31, 2020	-	4,867,321	251,534	428,738	676,093	1,641,476	7,865,162
Additions	-	212,475	3,401	4,212	83,291	164,033	467,412
March 31, 2021	-	5,079,796	254,935	432,950	759,384	1,805,509	8,332,574
Carrying Amount							
March 31, 2021	1,752,705	7,011,536	64,784	54,497	2,671,272	6,918,940	18,473,734
December 31, 2020	1,518,826	7,131,787	67,685	54,827	2,754,563	7,063,501	18,591,189

Depreciation expense is allocated to the following expense categories:

	Cost of goods sold	Inventory	General and administration	Total
	\$	\$	\$	\$
Three Months Ended March 31, 2021	325,746	58,828	82,838	467,412
Three Months Ended March 31, 2020	280,524	91,416	87,407	459,347

Included in the net carrying amount of property and equipment at March 31, 2021, are right-of-use assets relating to buildings, in the amount of \$2,671,272 (December 31, 2020 - \$2,754,563).

Included in the carrying amount of leasehold improvements is the amount of \$1,040,234 (December 31, 2020 - \$1,040,234) and \$1,752,705 of equipment not available for use (December 31, 2020 - \$1,518,826) which represent the accumulated expenditures incurred on the purchase of an ethanol recovery system, equipment purchased for technology scale-up, other equipment, and the engineering design for the related construction and installation of the ethanol recovery system. At March 31, 2021, no amortization has commenced on these balances as construction and installation activities have not commenced.

The Company has entered into an agreement to purchase specialized equipment for 150,000 Euro, that will be used to develop the PGX technology to commercial scale level. The purchase is expected to be completed in 2021 and based on the exchange rate at March 31, 2021, the remaining estimated payments will be approximately \$147,600 CAD. The advance payment of \$77,467 CAD included in prepaid expenses and deposits at December 31, 2020 was transferred into property and equipment during the quarter ended March 31, 2021.

6. LEASE LIABILITIES

The Company has leases for manufacturing facilities, office space, and warehouse. The lease liabilities consist of leases of buildings. The leases have been discounted using interest rates between 3.42% - 5.24%.

	Three Months Ended March 31, 2021 \$	Year Ended December 31, 2020 \$
Balance at beginning of year	2,899,575	3,040,750
Additions	-	123,913
Interest expense	36,419	153,063
Lease payments	(97,989)	(418,151)
Balance at end of year	2,838,005	2,899,575
Less current portion	260,307	250,658
	2,577,698	2,648,917

In November 2020, the Company entered into a lease modification agreement on its warehouse building lease, extending the recognized lease term by approximately two years to March 31, 2025. The re-measurement of the lease liability resulted in a \$123,913 addition to the lease liability and a corresponding increase to the right of use asset for buildings.

Future minimum lease payments at March 31, 2021 are as follows:

	Within one year \$	One to five years \$	More than five years \$	Total \$
Lease payments	398,505	1,669,032	1,458,284	3,525,821
Finance charges	138,198	404,356	145,262	687,816
Net present values	260,307	1,264,676	1,313,022	2,838,005

The expense relating to payments not included in the measurement of the lease liabilities is as follows:

	2021 \$	2020 \$
Three Months Ended March 31,		
Short-term leases	13,074	50,210

At March 31, 2021, the Company was committed to short term leases and the total commitment at that date was \$5,269.

7. SHARE CAPITAL

a. Authorized

- i. Unlimited number of Class A voting common shares. Class A common shares have no par value.
- ii. Unlimited number of Class B non-voting common shares. There are no issued Class B shares.

b. Issued - Class A common shares

	Three Months Ended March 31, 2021		Year Ended December 31, 2020	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance at beginning of the period	77,621,341	16,511,067	77,335,841	16,401,677
Stock options exercised	51,502	38,808	13,000	7,978
Restricted share units vested	-	-	272,500	101,412
Balance at end of the period	77,672,843	16,549,875	77,621,341	16,511,067

In January 2020, the Company issued 272,500 common shares on the vesting and conversion of restricted share units (see note 7 (d)). This non-cash transaction has been excluded from the Statement of Cash Flows.

c. Stock Option Share-Based Payment Plan

The Company has granted stock options to eligible employees, directors, officers, and consultants under stock option plans that vest over two-year periods and have a maximum term of ten years.

The Company accounts for options granted under these plans in accordance with the fair value based method of accounting for share-based payments.

In the three month period ended March 31, 2021, the Company did not grant stock options.

In the three month period ended March 31, 2020, the Company granted 395,000 stock options. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock, life of the options, and forfeiture rate. The weighted average risk-free rate used in 2020 was 1.62%, the weighted average expected volatility was 72% which was based on prior trading activity of the Company's shares, the weighted average expected life of the options was 5 years, the forfeiture rate was 0%, the weighted average share price was \$0.36, the weighted average exercise price was \$0.36, and the expected dividends were nil. The weighted average grant date fair value of options granted in the period ended March 31, 2020 was \$0.21 per option.

The share-based payments expense recorded during the current period relating to options granted in 2020 and 2019 was \$3,742 (during 2020 relating to options granted in 2020, 2019, and 2018 - \$43,002).

A summary of the status of the Company's stock options at March 31, 2021 and December 31, 2020 and changes during the periods ended on those dates is as follows:

	Three Months Ended March 31, 2021		Year Ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at beginning of period	3,048,501	0.55	2,801,168	0.62
Granted	-	-	395,000	0.36
Exercised	(51,502)	0.43	(13,000)	0.38
Expired	-	-	(60,000)	0.33
Forfeited	(5,000)	0.37	(74,667)	0.55
Outstanding at end of period	2,991,999	0.55	3,048,501	0.55
Exercisable at end of period	2,863,665	0.57	2,663,668	0.61

Stock options outstanding are as follows:

Fair Value \$	Exercise Price \$	Year of Expiration	Weighted Average Contractual Life Remaining (years)	March 31, 2021 Number of Options	December 31, 2020 Number of Options
0.21	0.36	2025	3.8	362,333	380,668
0.25	0.39	2024	2.8	352,666	372,499
0.47	0.50	2028	6.8	195,000	210,000
0.56	0.59	2027	6.6	90,000	90,000
1.22	1.30	2027	6.1	10,000	10,000
1.65	1.75	2027	5.8	400,000	400,000
0.34	0.36	2025	4.1	150,000	150,000
0.47	0.50	2025	3.8	100,000	100,000
0.60	0.64	2025	3.8	712,000	715,334
0.37	0.27	2024	3.6	150,000	150,000
0.08	0.10	2024	2.8	300,000	300,000
0.05	0.10	2023	1.8	170,000	170,000
			4.0	2,991,999	3,048,501

d. Restricted Share Unit Share-Based Payment Plan

Effective June 1, 2017, the Company adopted a restricted share unit plan, which provides for the grant of restricted share units ("RSU's") to existing or proposed directors, employees, and consultants of the Company and its subsidiaries or any insider of the Company and its subsidiaries. Under the plan, the maximum number of common shares that may be reserved for issuance is fixed at 1,000,000. On the vesting of RSU's, the common shares of the Company will be issued from the same 10% rolling pool as the common shares issued under the stock option plan. The obligations under the RSU plan can be settled at the Company's discretion through either the issuance of cash or the issuance of common shares. The Company intends to settle the obligations through the issuance of common shares.

The Company did not grant RSU's during the three month period ended March 31, 2021.

During the three month period ended March 31, 2020, the Company granted 140,000 RSU's to employees, officers, and directors of the Company. The fair market value of each RSU granted was measured at \$0.36, based on the quoted closing price of the Company's stock on the date of grant. The RSU's vested on January 31, 2020 and were converted to common shares during the period. 132,500 RSU's from a 2019 grant with a fair market value of \$0.385 for each RSU, also vested and were converted to common shares during the period ended March 31, 2020.

The share-based payments expense recorded during the three month period ended March 31, 2021, relating to the granting of RSU's was \$nil (2020 - \$50,546).

A summary of the status of the Company's RSU's at March 31, 2021 and December 31, 2020 and changes during the periods ended on those dates is as follows:

	Three Months Ended March 31, 2021 Number of RSU's	Year Ended December 31, 2020 Number of RSU's
Balance at beginning of period	-	132,500
Granted	-	140,000
Forfeited	-	-
Vested	-	(272,500)
Balance at end of period	-	-

Of the 1,000,000 RSU's authorized for grant under the RSU plan, at March 31, 2021, 370,000 RSU's are available for grant (December 31, 2020 – 370,000).

e. Contributed surplus

	Three Months Ended March 31, 2021 \$	Year Ended December 31, 2020 \$
Balance at beginning of the period	4,682,393	4,650,090
Share-based payments (note 7 (c) & (d))	3,742	136,796
Restricted share units vested	-	(101,412)
Stock options exercised	(16,788)	(3,081)
Balance at end of the period	4,669,347	4,682,393

8. CAAP LOAN

The Company entered into Canadian Agricultural Adaptation Program (“CAAP”) repayable contribution agreements for total possible funding of \$1,339,625 receivable over the period from October 7, 2010 through September 30, 2012. During the year ended December 31, 2012, the Company voluntarily decommitted \$668,557 as a result of lower anticipated project expenditures resulting in amended maximum possible funding under the agreement of \$671,068. The end date for project expenditures and start date for repayments were also extended one year to September 30, 2013 and December 31, 2014 respectively. All amounts claimed under the program are repayable interest free over eight years beginning in 2014.

As the contributions are non-interest bearing, the fair value at inception is estimated as the present value of the principal payments required, discounted using the prevailing market rates of interest for a similar instrument which was estimated to be 15% per annum. The difference between the fair value of the contributions and the cash received is accounted for as a government grant.

The balance of repayable contribution is derived as follows:

	Three Months Ended March 31, 2021 \$	Year Ended December 31, 2020 \$
Opening balance	72,263	134,522
Repayment	-	(83,884)
Accretion of CAAP loan	2,744	21,625
	75,007	72,263
Less current portion	75,007	72,263
	-	-

The principal repayment required for amounts received or receivable from inception to December 31, 2013 is \$83,884 annually from 2014 through 2021.

9. RELATED PARTY TRANSACTIONS

Related party transactions during the periods not otherwise disclosed in these consolidated financial statements are as follows:

	2021 Three Months Ended March 31, \$	2020 \$
Key management salaries, short-term benefits, consulting fees, and director fees	248,464	252,900
Key management personnel share-based payments	2,233	63,106
Amount payable to directors	39,944	40,172

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

10. OTHER EXPENSES

Three Months Ended March 31,	2021	2020
	\$	\$
Foreign exchange loss (gain)	75,854	(284,128)
Other expense (income)	3,053	(1,345)
Plant relocation costs	27,958	14,156
	106,865	(271,317)

11. FINANCE COSTS

Three Months Ended March 31,	2021	2020
	\$	\$
Interest on lease liabilities	36,166	39,551
Royalties	55,000	55,000
Accretion of CAAP loan	2,744	5,108
Interest on long-term debt	-	1,396
Transaction costs	-	554
	93,910	101,609

12. EMPLOYEE BENEFITS EXPENSE

Three Months Ended March 31,	2021	2020
	\$	\$
Employee benefits	954,194	1,095,432

Employee benefits include wages, salaries, bonuses, and CPP, EI, WCB contributions, share-based payment expense, and benefit premiums. Employee benefits are included in cost of goods sold, general and administration, research and product development, and sales and marketing expenses.

13. COMMITMENTS AND CONTINGENCIES

a) During the year ended December 31, 2012, the Company entered into a licence agreement for a new technology to increase the concentration of avenanthramides in oats. The Company shall pay an annual royalty percentage rate of 2% of sales, payable every January 1st and July 1st, subject to a minimum annual royalty payment according to the schedule below:

Year	Amount
2012	nil
2013	\$12,500
2014	\$37,500
2015	\$50,000
2016	\$50,000

And \$50,000 each year thereafter while the licence agreement remains in force. The agreements remain in force until the patents expire or are abandoned.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

(b) During the year ended December 31, 2014, the Company entered into a licence agreement with the University of Alberta for the rights to an enabling pressurized gas expanded technology (PGX) that would allow the development, production, and commercialization of powder formulations that could be used as active ingredients.

In accordance with the agreement and as amended on February 2, 2015, the Company shall pay the following royalties, payable on a semi-annual basis:

- (a) a royalty of 3.5% of net sales generated from the field of pharmaceuticals;
- (b) a royalty of 3.0% of net sales generated from the field of nutraceuticals;
- (c) a royalty of 2.75% of net sales generated from the field of cosmetics;
- (d) a royalty of 1.0% of net sales generated from the field of functional foods;
- (e) a royalty of 3.0% of net sales generated from other fields.

The Company shall pay a minimum annual advance on earned royalties of \$5,000 commencing March 1, 2017 and every year thereafter while the licence agreement remains in force.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

14. SEGMENTED INFORMATION

The Company has two operating segments, the active ingredient product technology industry and the cosmeceutical industry.

The active ingredient product technology industry involves the development of proprietary extraction technologies and the application of these technologies to the production and development and commercialization of active ingredients derived from oats and other renewable plant resources for healthcare and cosmetic industries. Active ingredients produced include oat beta glucan and avenanthramides. These and similar manufactured products are sold primarily through distribution networks.

The cosmeceutical industry involves the development and commercialization of anti-aging products derived from natural active ingredients and is represented in the Company through its subsidiary, Juvente. This line of finished products is sold directly to the end-user primarily through website sales online and also through select natural products stores.

Geographic Information

The following table presents revenue from contracts with customers disaggregated by geographic location to depict how the nature, amount, timing, and uncertainty of revenue and cash flows could be affected by economic factors:

Three Months Ended March 31,	2021 \$	2020 \$
United States	3,437,280	3,530,946
Germany	1,037,319	660,425
China	191,290	40,862
Other	18,783	26,384
Canada	17,071	14,757
	4,701,743	4,273,374

During the three month period ended March 31, 2021, the Company had export sales to one major distributor of the Company's products in the aggregate amount of \$4,279,756 representing 91% of total revenue (2020 - \$4,048,941 representing 95% of total revenue). This major distributor sells to dozens of customers on a worldwide basis.

All the assets of the Company, which support the revenues of the Company, are located in Canada.

Information about reportable segments is as follows:

Three months ended March 31, 2021:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	4,697,721	4,022	4,701,743
Gross margin	2,256,451	1,492	2,257,943
Other income (expenses)	(106,865)	-	(106,865)
Income (loss) before tax	580,011	(65,135)	514,876
Income tax benefit	-	-	-
Net income (loss) and comprehensive income (loss)	580,011	(65,135)	514,876
Depreciation and amortization	467,833	320	468,153
Share-based payments	3,742	-	3,742
Additions to property and equipment	349,957	-	349,957

At March 31, 2021:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Property and equipment	18,468,429	5,305	18,473,734
Segment assets	29,214,520	214,490	29,429,010
Segment liabilities	4,553,892	24,513	4,578,405

Three months ended March 31, 2020:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	4,268,602	4,772	4,273,374
Gross margin	2,378,971	(6,820)	2,372,151
Other income (expenses)	271,317	-	271,317
Income (loss) before tax	1,251,467	(125,412)	1,126,055
Income tax benefit	-	-	-
Net income (loss) and comprehensive income (loss)	1,251,467	(125,412)	1,126,055
Depreciation and amortization	459,640	448	460,088
Share-based payments	93,548	-	93,548
Additions to property and equipment	20,099	-	20,099

At December 31, 2020:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Property and equipment	18,585,564	5,625	18,591,189
Segment assets	28,993,481	230,250	29,223,731
Segment liabilities	4,888,626	25,138	4,913,764

15. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the balance sheet are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their carrying amount(s) due to their short-term nature.

The Canadian Agricultural Adaptation Program (“CAAP”) loan is recorded at the amount drawn under the agreement, discounted using the prevailing market rate of interest for a similar instrument, which represents the estimated fair value of the obligation.

The fair value of the CAAP loan is not materially different from its carrying amount as funding received has been discounted using an estimate of a market rate of interest and is being accreted back to its nominal amount (Level 2).

The following table sets out a comparison of the carrying amount and fair values of the Company’s financial assets and financial liabilities:

	March 31, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 5,239,071	\$ 5,239,071	\$ 5,369,029	\$ 5,369,029
Trade and other receivables	2,936,589	2,936,589	2,121,947	2,121,947
Financial liabilities:				
Accounts payable and accrued liabilities	\$ 791,089	\$ 791,089	\$ 1,067,622	\$ 1,067,622
CAAP loan	75,007	75,007	134,522	134,522

The Company has exposure to credit, liquidity, and market risk as follows:

a) Credit risk

Trade and other receivables

The Company makes sales to distributors that are well-established within their respective industries. Based on previous experience, the counterparties had zero default rates and management views this risk as minimal. Approximately 90% of trade receivables are due from one distributor at March 31, 2021 (December 31, 2020 – 90% from one distributor). This main distributor is considered to have good credit quality and historically has had a high quality credit rating. The majority of the Company's sales are invoiced on standard commercial terms of 30 days.

The aging of trade receivables is as follows:

	March 31, 2021 \$	December 31, 2020 \$
Not yet due	2,218,042	407,993
Less than 30 days past due	688,971	1,419,731
Less than 60 days past due, more than 30 days past due	-	191,999
More than 60 days past due	-	-
Total	2,907,013	2,019,723

The Company has not assessed any trade receivables past due as impaired.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for March 31, 2021 and December 31, 2020 are not significant and have not been recognized.

Other receivables represent amounts due for research program claims, government funding claims, government goods and services taxes, and scientific and research tax credits. The collectability risk is deemed to be low because of the good quality credit rating of the counterparties.

Cash and cash equivalents

The Company has cash and cash equivalents in the amount of \$5,239,071 at March 31, 2021 (December 31, 2020 - \$5,369,029) and mitigates its exposure to credit risk on its cash balances by maintaining its bank accounts with Canadian Chartered Banks and investing in low risk, high liquidity investments.

There are no impaired financial assets. The maximum exposure to credit risk is the carrying amount of the Company's trade and other receivables and cash and cash equivalents. The Company does not hold any collateral as security.

b) Liquidity risk

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability to meet commitments under its current facilities. In order to manage this liquidity risk, the Company regularly reviews its aged trade receivables listing to ensure prompt collections. There is no assurance that the Company will obtain sufficient funding to execute its strategic business plan.

The following are the contractual maturities of the Company's financial liabilities and obligations at March 31, 2021:

	within 1 year \$	1 to 3 years \$	3 to 5 years \$	over 5 years \$	Total \$
Accounts payable and accrued liabilities	791,089	-	-	-	791,089
CAAP loan	83,884	-	-	-	83,884
Total	874,973	-	-	-	874,973

c) Market risk

Market risk is comprised of interest rate risk, foreign currency risk, and other price risk. The Company's exposure to market risk is as follows:

1. Foreign currency risk

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar.

The following table summarizes the impact of a 1% change in the foreign exchange rates of the Canadian dollar against the US dollar (USD) on the financial assets and liabilities of the Company. The amounts have been translated based on the exchange rate at March 31, 2021.

	Carrying Amount (USD)	Foreign Exchange Risk (CDN)	
		-1%	+1%
		Earnings & Equity	Earnings & Equity
Financial assets			
Accounts receivable	2,311,313	29,065	(29,065)
Financial liabilities			
Accounts payable and accrued liabilities	180,798	(2,274)	2,274
Total increase (decrease)		26,791	(26,791)

The carrying amount of accounts receivable and accounts payable and accrued liabilities in USD represents the Company's exposure at March 31, 2021.

2. Interest rate risk

The Company has minimal interest rate risk because its long-term debt agreements are all at fixed rates.

16. CAPITAL DISCLOSURES

The Company considers its capital to be its equity. The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its manufacturing operations, research and development activities, administration and marketing expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders when possible.

The Company has funded its activities through public offerings and private placements of common shares, royalty offerings, loans, convertible debentures, and grant contributions.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management did not change during the period ended March 31, 2021.

17. INCOME PER COMMON SHARE

Three Months Ended March 31,	2021	2020
Net income for the period for basic and diluted earnings per share calculation	\$514,876	\$1,126,055
Weighted average number of common shares outstanding	77,651,031	77,538,314
Effect of dilutive stock options and warrants	1,058,944	342,547
Diluted weighted average number of common shares	78,709,975	77,880,861
Income per share - basic	\$0.01	\$0.01
Income per share - diluted	\$0.01	\$0.01

For the three month period ended March 31, 2021, 410,000 stock options outstanding have not been included in the diluted income per share calculation because the options' exercise price was greater than the average market price of the common shares during the period.

For the three month period ended March 31, 2020, 2,559,501 stock options outstanding have not been included in the diluted income per share calculation because the options' exercise price was greater than the average market price of the common shares during the period.