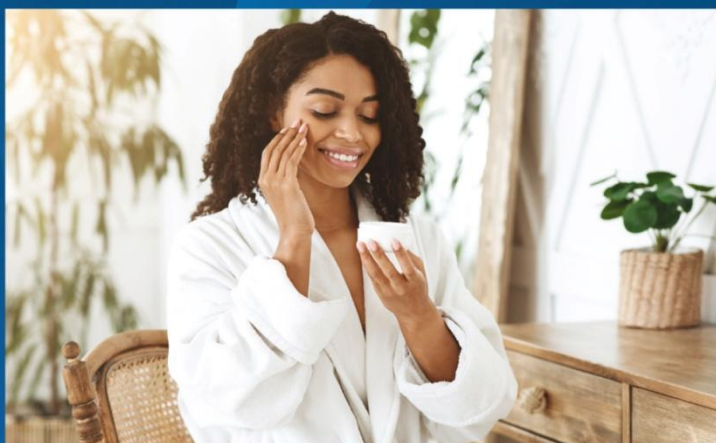


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Q3 2021



Unaudited Condensed Consolidated
Financial Statements for the
Third Quarter ended September 30, 2021

Management's Discussion & Analysis

The MD&A provides commentary on the results of operations for the periods ended September 30, 2021 and 2020, the financial position as at September 30, 2021, and the outlook of Ceapro Inc. ("Ceapro" and "the Company") based on information available as at November 16, 2021. The following information should be read in conjunction with the unaudited interim condensed consolidated financial statements as at September 30, 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 September 30, 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 November 16, 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 93% of trade receivables are due from one distributor at September 30, 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:

	September 30, 2021	December 31, 2020
	\$	\$
Not yet due	1,317,462	407,993
Less than 30 days past due	1,356,560	1,419,731
Less than 60 days past due, more than 30 days past due	42,036	191,999
More than 60 days past due	-	-
Total	2,716,058	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 September 30, 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 \$7,410,214 at September 30, 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 September 30, 2021:

	within 1 year \$	1 to 3 years \$	3 to 5 years \$	over 5 years \$	Total \$
Accounts payable and accrued liabilities	1,097,645	-	-	-	1,097,645
CAAP loan	83,884	-	-	-	83,884
Total	1,181,529	-	-	-	1,181,529

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 September 30, 2021.

	Carrying Amount (USD)	Foreign Exchange Risk (CDN)	
		-1%	+1%
		Earnings & Equity	Earnings & Equity
Financial assets			
Accounts receivable	2,130,882	27,150	(27,150)
Financial liabilities			
Accounts payable and accrued liabilities	276,257	(3,520)	3,520
Total increase (decrease)		23,629	(23,629)

The carrying amount of accounts receivable and accounts payable and accrued liabilities in USD represents the Company's exposure at September 30, 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 September 30, 2021 and 2020

CONSOLIDATED INCOME STATEMENT

	Quarters				Nine Months			
	Ended September 30,				Ended September 30,			
<i>\$000s except per share data</i>	2021	%	2020	%	2021	%	2020	%
Total revenues	4,523	100%	3,476	100%	13,633	100%	12,415	100%
Cost of goods sold	1,574	35%	1,814	52%	5,788	42%	5,795	47%
Gross margin	2,949	65%	1,662	48%	7,846	58%	6,620	53%
Research and product development	1,403	31%	479	14%	3,051	22%	1,381	11%
General and administration	767	17%	791	23%	2,432	18%	2,495	20%
Sales and marketing	5	0%	12	0%	35	0%	90	1%
Finance costs	38	1%	43	1%	170	1%	189	2%
Income from operations	737	16%	336	10%	2,159	16%	2,466	20%
Other (expenses) income	138	3%	(144)	-4%	(92)	-1%	(71)	-1%
Income before tax	875	19%	192	6%	2,067	15%	2,395	19%
Income taxes	-	0%	-	0%	-	0%	-	0%
Net income	875	19%	192	6%	2,067	15%	2,395	19%
Basic net income per common share	0.011		0.002		0.027		0.031	
Diluted net income per common share	0.011		0.002		0.026		0.031	

The following sections discuss the consolidated results from operations.

Revenue

\$000s	Quarters			Nine Months		
	Ended September 30, 2021	2020	Change	Ended September 30, 2021	2020	Change
Total revenues	4,523	3,476	30%	13,633	12,415	10%

During the quarter ended September 30, 2021, total sales revenue increased by approximately \$1,047,000 or 30% compared to the prior quarter. The Company benefited from approximately 26% higher sales volumes in the current quarter primarily due to an increase in avenanthramide sales despite sales revenue being negatively impacted by approximately \$253,000 from a lower U.S. dollar relative to the Canadian dollar compared to the prior quarter in 2020.

Revenue for the first nine months of 2021 was approximately \$1,218,000 or 10% higher than the comparative nine month period. The increase was driven primarily by higher avenanthramide and oat oil sales. These increases were offset by a lower U.S. dollar relative to the Canadian dollar compared to the comparative period, which negatively impacted revenue by approximately \$1,300,000.

Expenses

COST OF GOODS SOLD AND GROSS MARGIN

\$000s	Quarters			Nine Months		
	Ended September 30, 2021	2020	Change	Ended September 30, 2021	2020	Change
Sales	4,523	3,476	30%	13,633	12,415	10%
Cost of goods sold	1,574	1,814	-13%	5,788	5,795	0%
Gross margin	2,949	1,662	77%	7,846	6,620	19%
Gross margin %	65%	48%		58%	53%	

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.

During the third quarter of 2021, revenue increased by 30% but cost of goods sold decreased by 13%. This contributed to a significant increase in the gross margin percentage from 48% in the comparative quarter to 65% in the current quarter. The margin also improved over the second quarter of 2021. The lower cost of goods sold was primarily driven by the excellent quality of grain that was sourced from last season's growing period which has significantly improved output from the manufacturing process. Production output was also significantly higher in the current quarter compared to the prior quarter, when the Leduc manufacturing facility was shut down and all contents were moved to Edmonton, and the overhead costs to produce were also lower as the Company was only operating one site which also positively impacted the lower cost of goods sold.

For the nine month period ended September 30, 2021, revenue increased by approximately 10% and cost of goods sold did not change, this resulted in an overall higher gross margin percentage compared to the prior period. All the factors that positively impacted cost of goods sold and gross margin during the third quarter impacted the nine month period and improved the gross margin realized from the beginning of the year.

RESEARCH AND PRODUCT DEVELOPMENT

\$000s	Quarters Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Salaries and benefits	281	178		794	585	
Regulatory and patents	6	85		145	138	
Clinical studies	856	156		1,594	379	
Other	260	60		518	279	
Total research and product development expenditures	1,403	479	193%	3,051	1,381	121%

During the quarter ended September 30, 2021, research and development expenses increased by \$924,000 or 193%. 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 expenditures on other projects, and higher salaries and benefits expense offset partially by lower regulatory and patent expense.

For the nine month period ended September 30, 2021, research and development expenses have increased by \$1,670,000 or 121%. The increase is primarily due to the same reasons as noted for the current quarter, however for the nine month period, regulatory expense is also higher than the comparative period.

Enrollment of the beta glucan study steadily increased during the second half of fiscal 2020 and this has continued until full enrollment was reached during the first half of 2021. Expenditures related to the study have increased during the current periods as all patients were completing their trials as compared to the prior periods where activity on the study was delayed while regulatory approval from Health Canada was being obtained for a protocol amendment. The last patient last visit was completed in September 2021 and the study results will be reported by press release on November 17, 2021.

Regulatory and patents expense will vary from period to period based on the timing of filings and maintenance payments. While the expense for the current nine month period is comparable to that of the prior period, because of timing differences, the third quarter of 2021 is much lower than the third quarter of 2020. In the current year most of the expense was incurred in the first six months of the year and in the prior period most of the expense was incurred in the second and third quarters of 2020.

Research and development salaries expense is higher in both the current quarter and current nine month period compared to the prior periods primarily due to lower grant funding received in the current periods, and partly due to additional salary from the hiring of a new PGX team member in September of 2020. These increases were offset partially by lower share-based payments expense in the current periods.

Expenditures on other projects during the current quarter are higher than the comparative quarter primarily due to the initiation of a new in-vivo study on our active ingredients and an increase on expenditures relating to the protocol development of a new clinical study on avenanthramides. For the nine month period, the increase is primarily related to the same projects as noted for the quarter and also due to a new bioavailability study on various polymers impregnated with CoQ10. The Company expects to continue to increase research and development spending during the remainder 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	Quarters Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Salaries and benefits	186	189		554	635	
Consulting	120	120		440	360	
Licensing activities	66	47		198	154	
Board of Directors compensation	41	44		122	158	
Insurance	47	39		127	111	
Accounting and audit fees	27	29		88	95	
Rent	17	17		50	44	
Public company costs	96	144		372	435	
Travel	12	11		18	39	
Depreciation and amortization	85	89		253	265	
Legal	1	8		17	17	
Other	69	54		193	182	
Total general and administration expenses	767	791	-3%	2,432	2,495	-3%

General and administration expense for the quarter ended September 30, 2021, decreased by \$24,000 or 3% from the comparative quarter. The decrease was primarily due to a decrease in public company costs as some of the investor communication programs in 2020 were scaled back in 2021. This decrease was partially offset by additional fees paid under licensing activities related to evaluating the feasibility of additional opportunities in Europe.

For the nine month period ended September 30, 2021, general and administration expense decreased by \$63,000 or 3% from the comparative period. The overall decrease is partially due to the same factors noted for the current quarter and was also due to decreases in salaries and benefits expense, Board compensation, and travel expense offset by an increase in consulting fees. Salaries and benefit expense was partially lower due to lower share-based payment expense as fewer stock options or RSU's were granted in the current period, due to lower staffing in the administrative department in the period offset by additional fees paid to an officer, and due to the Company's subsidiary incurring lower salaries expense from reduced hours related to the pandemic and being eligible for a wage subsidy of \$10,200 offsetting payroll expense. Board of Director compensation expense was lower in the current period primarily due to lower share-based payment expense and travel costs were lower primarily due to continued company-wide travel restrictions put in place as a result of COVID-19. The increase in consulting fees related to additional fees paid to an officer in the second quarter of 2021.

SALES AND MARKETING

\$000s	Quarters Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Sales and marketing salaries	-	-		-	1	
Courses, conferences & advertising	4	13		34	89	
Other	1	-		1	-	
Total sales and marketing	5	13	-62%	35	90	-61%

Sales and marketing expense for the quarter ended September 30, 2021, decreased by \$8,000 or 62% from the comparative quarter.

For the nine month period ended September 30, 2021, sales and marketing expense decreased by \$55,000 or 61% from the comparative period.

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	Quarters Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Interest on lease liabilities	34	37		106	115	
Royalties	-	-		55	55	
Accretion of CAAP loan	4	6		9	16	
Interest on long-term debt	-	-		-	2	
Transaction costs	-	-		-	1	
	38	43	-12%	170	189	-10%

Finance costs decreased by 12% or \$5,000 in the quarter ended September 30, 2021, from \$43,000 in 2020 to \$38,000. 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.

Finance costs for the nine month period ended September 30, 2021 decreased by 10% or \$19,000, from \$189,000 in 2020 to \$170,000, due to the same factors that impacted the quarter. The decrease is also 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	Quarters Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
Foreign exchange loss (gain)	(155)	77		14	(27)	
Plant relocation costs	23	61		77	94	
Gain on disposal of equipment	(5)	-		(5)	-	
Other expense (income)	(1)	6		6	4	
	(138)	144	-196%	92	71	30%

During the quarter ended September 30, 2021, other expenses decreased by \$282,000 or 196% from an expense of \$144,000 to other income of \$138,000. The decrease was primarily due to a foreign exchange gain during the current quarter compared to a loss in the prior quarter and due to lower plant relocation costs in the quarter.

During the nine month period ended September 30, 2021, the Company had other expenses of \$92,000 compared with other expenses of \$71,000 in the comparative period an increase of 30%. This increase in expense was primarily due to foreign exchange, where the comparative period was an exchange gain of \$27,000 compared to an exchange loss of \$14,000 in the current 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, then in the second and third quarters of 2020 the Canadian dollar strengthened and caused losses in the quarters which greatly reduced the gain from the first quarter but wasn't enough to completely reverse the net gain position. In 2021 the reverse was true, as the US dollar weakened in the first and second quarters of 2021 causing a foreign exchange loss and then strengthened in the third quarter of 2021 creating a significant gain in the quarter that reversed most but not all of the loss over the nine month 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 nine month period ended September 30, 2021, the total depreciation and amortization expense was \$1,408,000 which was slightly higher but consistent with the expense of \$1,383,000 in the comparative period in 2020. The expense was allocated as follows: \$253,000 to general and administration expense (2020 - \$265,000), \$181,000 to inventory (2020 - \$55,000), and \$975,000 (2020 - \$1,063,000) 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 periods 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 \$10,000 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 \$2,750. Sales and marketing expense is approximately \$8,000 lower than the comparative quarter as discussed in the sales and marketing section. For the nine month period ended September 30, 2021, general and administrative expenses in Juvente between the current and comparative periods were approximately \$38,000 lower, and sales and marketing expense is approximately \$56,000 lower than the comparative period for the same reasons as noted for the quarter.

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenues	4,523	4,408	4,702	2,706	3,476	4,666	4,273	3,721
Net income (loss)	875	676	515	(539)	192	1,077	1,126	166
Basic net income (loss) per common share	0.011	0.009	0.007	(0.007)	0.002	0.014	0.015	0.002
Diluted net income (loss) per common share	0.011	0.009	0.007	(0.007)	0.002	0.014	0.014	0.002

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 September 30, 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>	September 30, 2021	December 31, 2020
Non-current assets	19,357	20,174
Current assets	11,832	9,050
Current liabilities	(1,465)	(1,391)
Total assets less current liabilities	29,724	27,833
Non-current liabilities	3,307	3,523
Shareholders' equity	26,417	24,310
Total capital employed	29,724	27,833

Non-current assets decreased by \$817,000 primarily due to a depreciation provision of \$1,406,000 and an amortization provision on licences of \$2,000, offset by the acquisition of \$592,000 of property and equipment.

Current assets increased by \$2,782,000 primarily due to an increase in cash from operations of \$2,041,000, an increase in trade and other receivables in the amount of \$634,000, and an increase in inventories of \$322,000 offset by a decrease in prepaid expenses and deposits of \$215,000.

Current liabilities totaling \$1,465,000 increased by the net amount of \$74,000 primarily due to an increase in accounts payable and accrued liabilities of \$30,000, an increase in the current portion of lease liabilities of \$36,000, and an increase in the current portion of CAAP loan of \$9,000 from accretion.

Non-current liabilities totaling \$3,307,000 decreased by the net amount of \$216,000 primarily due to the repayment of lease liabilities and reallocation of current portion of the lease liabilities.

Equity of \$26,417,000 at September 30, 2021 increased by \$2,107,000 from equity of \$24,310,000 at December 31, 2020, primarily due to the recognition of net income of \$2,067,000 for the nine month period ended September 30, 2021, the recognition of share-based payment compensation of \$14,000, and due to the issuance of shares from the exercise of stock options of \$27,000.

SOURCES AND USES OF CASH

The following table outlines our sources and uses of funds during the periods ended September 30, 2021 and 2020.

\$000s	Quarters		Nine Months	
	Ended September 30, 2021	2020	Ended September 30, 2021	2020
Sources of funds:				
Funds generated from operations adjusted for non-cash items	1,385	712	3,598	4,035
Changes in non-cash accounts payable and accrued liabilities relating to investing activities	2	14	-	14
Changes in non-cash working capital items relating to operating activities	-	1,375	-	859
Proceeds from disposal of equipment	5	-	5	-
Deposits relating to investing activities	17	50	-	-
Share issuance	1	3	27	3
	1,410	2,154	3,630	4,911
Uses of funds:				
Purchase of property and equipment	(218)	(184)	(495)	(222)
Purchase of leasehold improvements	-	-	(19)	-
Changes in non-cash working capital items relating to operating activities	(947)	-	(655)	-
Changes in non-cash accounts payable and accrued liabilities relating to investing activities	-	-	(133)	-
Interest paid	(35)	(37)	(107)	(117)
Repayment of long-term debt	-	(15)	-	(113)
Repayment of lease liabilities	(69)	(67)	(180)	(198)
	(1,269)	(303)	(1,589)	(650)
Net change in cash flows	141	1,851	2,041	4,261

Net change in cash flow was an increase of \$2,041,000 during the nine month period ended September 30, 2021 in comparison with an increase of \$4,261,000 for the comparative period. Cash generated from operations of \$2,943,000 (after adjustment for non-cash items and working capital items) in the current period was lower than the comparative period where cash generated from operations was \$4,894,000 and this was primarily due to a significant increase in investment in research and development of \$1,670,000 compared to the prior period. Another 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. These decreases were slightly offset by an increase in share issuance proceeds of approximately \$24,000 over the comparative period 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 \$10,366,761 at September 30, 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 November 16, 2021, were 77,685,843 (November 25, 2020 – 77,621,341). In addition, 2,997,333 stock options as at November 16, 2021 (November 25, 2020 – 3,048,501 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 nine months of 2021, the Company received or recorded as a receivable \$68,522 which has been recorded as a reduction of research and development expenses. The project has been completed at September 30, 2021.

Related Party Transactions

During the nine month period ended September 30, 2021, the Company paid key management salaries, short-term benefits, consulting fees, and director fees totaling \$856,000 (2020 – \$747,000) and share-based payments expense for key management personnel was \$6,000 (2020 - \$80,000).

The amount payable to directors at September 30, 2021 was \$40,000 (2020 - \$41,000). Consulting fees and key management salaries to officers included in accounts payable at September 30, 2021 was \$40,000 (2020 – nil).

During the nine month period ended September 30, 2021, the Company paid \$126,510 in research and development expenditures to the Angiogenesis Foundation of which a director of the Company is the CEO of the Foundation.

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

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's cosmeceuticals base business should 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.

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 Interim Consolidated Financial Statements for the
Third Quarter Ended September 30, 2021 and 2020

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.

Condensed Interim Consolidated Balance Sheets

Unaudited

	September 30, 2021	December 31, 2020
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	7,410,214	5,369,029
Trade receivables	2,716,058	2,019,723
Other receivables	39,522	102,224
Inventories (note 3)	1,532,271	1,210,079
Prepaid expenses and deposits	133,760	348,845
Total Current Assets	11,831,825	9,049,900
Non-Current Assets		
Investment tax credits receivable	607,700	607,700
Deposits	82,124	82,124
Licences (note 4)	16,292	18,514
Property and equipment (note 5)	17,776,791	18,591,189
Deferred tax assets	874,304	874,304
Total Non-Current Assets	19,357,211	20,173,831
TOTAL ASSETS	31,189,036	29,223,731
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,097,645	1,067,622
Current portion of lease liabilities (note 6)	286,608	250,658
Current portion of CAAP loan (note 8)	80,811	72,263
Total Current Liabilities	1,465,064	1,390,543
Non-Current Liabilities		
Long-term lease liabilities (note 6)	2,432,682	2,648,917
Deferred tax liabilities	874,304	874,304
Total Non-Current Liabilities	3,306,986	3,523,221
TOTAL LIABILITIES	4,772,050	4,913,764
Equity		
Share capital (note 7 (b))	16,557,401	16,511,067
Contributed surplus (note 7 (e))	4,676,456	4,682,393
Retained earnings	5,183,129	3,116,507
Total Equity	26,416,986	24,309,967
TOTAL LIABILITIES AND EQUITY	31,189,036	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.

Condensed Interim Consolidated Statements of Net Income and Comprehensive Income

Unaudited

	Quarters		Nine Months	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue (note 14)	4,522,980	3,475,625	13,633,354	12,414,970
Cost of goods sold	1,573,655	1,814,080	5,787,608	5,794,573
Gross margin	2,949,325	1,661,545	7,845,746	6,620,397
Research and product development	1,403,186	478,993	3,050,544	1,381,332
General and administration	766,605	791,217	2,431,659	2,494,514
Sales and marketing	4,957	12,395	34,557	89,830
Finance costs (note 11)	37,684	43,066	169,938	189,258
Income from operations	736,893	335,874	2,159,048	2,465,463
Other (expenses) income (note 10)	138,381	(144,251)	(92,426)	(70,746)
Income before tax	875,274	191,623	2,066,622	2,394,717
Income taxes	-	-	-	-
Total comprehensive income for the period	875,274	191,623	2,066,622	2,394,717
Net income per common share (note 17):				
Basic	0.01	0.00	0.03	0.03
Diluted	0.01	0.00	0.03	0.03
Weighted average number of common shares outstanding (note 17):				
Basic	77,684,017	77,610,113	77,669,747	77,585,679
Diluted	78,740,532	78,700,415	78,694,469	78,039,105

See accompanying notes

Financial Statements

CEAPRO INC.
Condensed Interim 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))	-	13,672	-	13,672
Share options exercised	46,334	(19,609)	-	26,725
Net income for the period	-	-	2,066,622	2,066,622
Balance September 30, 2021	16,557,401	4,676,456	5,183,129	26,416,986
Balance December 31, 2019	16,401,677	4,650,090	1,260,407	22,312,174
Share-based payments (note 7 (c) & (d))	-	122,902	-	122,902
Share options exercised	4,909	(1,896)	-	3,013
Restricted share units vested (note 7 (d))	101,412	(101,412)	-	-
Net income for the period	-	-	2,394,717	2,394,717
Balance September 30, 2020	16,507,998	4,669,684	3,655,124	24,832,806

See accompanying notes

Financial Statements

CEAPRO INC.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited

Nine Months Ended September 30,	2021 \$	2020 \$
OPERATING ACTIVITIES		
Net income for the period	2,066,622	2,394,717
Adjustments for items not involving cash		
Finance costs	106,390	117,237
Transaction costs	-	1,108
Depreciation and amortization	1,408,392	1,382,838
Gain on disposal of equipment	(5,000)	-
Accretion	8,548	15,913
Share-based payments	13,672	122,902
Net income for the period adjusted for non-cash items	3,598,624	4,034,715
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	(696,335)	1,821,449
Other receivables	62,702	(96,375)
Inventories	(322,192)	(522,670)
Prepaid expenses and deposits	137,618	12,471
Accounts payable and accrued liabilities relating to operating activities	163,017	(355,552)
Total changes in non-cash working capital items	(655,190)	859,323
Net income for the period adjusted for non-cash and working capital items	2,943,434	4,894,038
Interest paid	(106,390)	(117,237)
CASH GENERATED FROM OPERATIONS	2,837,044	4,776,801
INVESTING ACTIVITIES		
Purchase of property and equipment	(494,833)	(222,610)
Purchase of leasehold improvements	(19,472)	-
Proceeds from sale of equipment	5,000	353
Accounts payable and accrued liabilities relating to investing activities	(132,994)	14,161
CASH USED IN INVESTING ACTIVITIES	(642,299)	(208,096)
FINANCING ACTIVITIES		
Stock options exercised	26,725	3,013
Repayment of long-term debt	-	(112,973)
Repayment of lease liabilities	(180,285)	(197,537)
CASH USED IN FINANCING ACTIVITIES	(153,560)	(307,497)
Increase in cash and cash equivalents	2,041,185	4,261,208
Cash and cash equivalents at beginning of the period	5,369,029	1,857,195
Cash and cash equivalents at end of the period	7,410,214	6,118,403

See accompanying notes

Cash and cash equivalents are comprised of \$7,403,376 (2020 - \$6,111,565) on deposit with financial institutions and \$6,838 (2020 - \$6,838) held in money market mutual funds.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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 condensed interim 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 condensed interim consolidated financial statements for issue on November 16, 2021.

b) Basis for presentation

These condensed interim 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:

	September 30, 2021	December 31, 2020
	\$	\$
Raw materials	461,209	540,425
Work in progress	555,555	148,162
Finished goods	515,507	521,492
	1,532,271	1,210,079

Inventories expensed to cost of goods sold during the three and nine month periods ended September 30, 2021 are \$1,564,262 and \$5,744,362 respectively (September 30, 2020 - \$1,746,793 and \$5,584,524).

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 \$2,222 has been included in general and administration expense for the nine month period ended September 30, 2021 (September 30, 2020 - \$2,222) (see note 13 (a)).

Cost of licences	\$
Balance - December 31, 2020	44,439
Additions	-
Balance - September 30, 2021	44,439
Accumulated amortization	
Balance - December 31, 2020	25,925
Amortization	2,222
Balance - September 30, 2021	28,147
Net book value	
Balance - September 30, 2021	16,292
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	382,599	181,587	500	7,614	-	19,472	591,772
Disposals	-	(13,100)	-	-	-	-	(13,100)
September 30, 2021	1,901,425	12,167,595	319,719	491,179	3,430,656	8,724,449	27,035,023
Accumulated Depreciation							
December 31, 2020	-	4,867,321	251,534	428,738	676,093	1,641,476	7,865,162
Additions	-	640,730	10,219	13,248	249,874	492,099	1,406,170
Disposals	-	(13,100)	-	-	-	-	(13,100)
September 30, 2021	-	5,494,951	261,753	441,986	925,967	2,133,575	9,258,232
Carrying Amount							
September 30, 2021	1,901,425	6,672,644	57,966	49,193	2,504,689	6,590,874	17,776,791
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
	\$	\$	\$	\$
Nine Months Ended September 30, 2021	974,708	180,824	250,638	1,406,170
Nine Months Ended September 30, 2020	1,063,150	54,589	262,877	1,380,616

Included in the net carrying amount of property and equipment at September 30, 2021, are right-of-use assets relating to buildings, in the amount of \$2,504,689 (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 \$1,901,425 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 September 30, 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 advance payment of \$77,467 CAD included in prepaid expenses and deposits at December 31, 2020 was transferred into property and equipment during the nine month period ended September 30, 2021. The purchase was completed in the third quarter of 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%.

	Nine Months Ended September 30, 2021 \$	Year Ended December 31, 2020 \$
Balance at beginning of period	2,899,575	3,040,750
Additions	-	123,913
Interest expense	107,133	153,063
Lease payments	(287,418)	(418,151)
Balance at end of period	2,719,290	2,899,575
Less current portion	286,608	250,658
	2,432,682	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 September 30, 2021 are as follows:

	Within one year \$	One to five years \$	More than five years \$	Total \$
Lease payments	418,151	1,642,242	1,275,999	3,336,392
Finance charges	131,543	373,074	112,485	617,102
Net present values	286,608	1,269,168	1,163,514	2,719,290

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

	Quarters Ended September 30, 2021 2020 \$ \$		Nine Months Ended September 30, 2021 2020 \$ \$	
Short-term leases	5,759	44,075	24,592	136,714

At September 30, 2021, the Company was committed to short term leases and the total commitment at that date was \$10,538.

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

	Nine Months Ended September 30, 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	64,502	46,334	13,000	7,978
Restricted share units vested	-	-	272,500	101,412
Balance at end of the period	77,685,843	16,557,401	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 uses the Black-Scholes option pricing model to price its options.

In the nine month period ended September 30, 2021, the Company granted 30,000 (September 30, 2020 - 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 2021 was .92% (2020 - 1.62%), the weighted average expected volatility was 66% (2020 - 72%) which was based on prior trading activity of the Company's shares, the weighted average expected life of the options was 5 years (2020 - 5 years), the forfeiture rate was 0% (2020 - 0%), the weighted average share price was \$0.64 (2020 - \$0.36), the weighted average exercise price was \$0.64 (2020 - \$0.36), and the expected dividends were nil (2020 - nil). The weighted average grant date fair value of options granted in the nine month period ended September 30, 2021 was \$0.35 (2020 - \$0.21) per option.

The share-based payments expense recorded during the current period relating to options granted in 2021, 2020 and 2019 was \$13,672 (during 2020 relating to options granted in 2020, 2019, and 2018 - \$72,356).

A summary of the status of the Company's stock options at September 30, 2021 and December 31, 2020 and changes during the periods ended on those dates is as follows:

	Nine Months Ended September 30, 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	30,000	0.64	395,000	0.36
Exercised	(64,502)	0.41	(13,000)	0.38
Expired	-	-	(60,000)	0.33
Forfeited	(11,666)	0.37	(74,667)	0.55
Outstanding at end of period	3,002,333	0.55	3,048,501	0.55
Exercisable at end of period	2,857,673	0.58	2,663,668	0.61

Stock options outstanding are as follows:

Fair Value \$	Exercise Price \$	Year of Expiration	Weighted Average Contractual Life Remaining (years)	September 30, 2021 Number of Options	December 31, 2020 Number of Options
0.35	0.64	2026	5.0	30,000	-
0.21	0.36	2025	3.3	345,667	380,668
0.25	0.39	2024	2.3	349,666	372,499
0.47	0.50	2028	6.3	195,000	210,000
0.56	0.59	2027	6.1	90,000	90,000
1.22	1.30	2027	5.6	10,000	10,000
1.65	1.75	2027	5.3	400,000	400,000
0.34	0.36	2025	3.6	150,000	150,000
0.47	0.50	2025	3.3	100,000	100,000
0.60	0.64	2025	3.3	712,000	715,334
0.37	0.27	2024	3.1	150,000	150,000
0.08	0.10	2024	2.3	300,000	300,000
0.05	0.10	2023	1.3	170,000	170,000
			3.5	3,002,333	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 nine month period ended September 30, 2021.

During the nine month period ended September 30, 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 September 30, 2020.

The share-based payments expense recorded during the nine month period ended September 30, 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 September 30, 2021 and December 31, 2020 and changes during the periods ended on those dates is as follows:

	Nine Months Ended September 30, 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 September 30, 2021, 370,000 RSU's are available for grant (December 31, 2020 – 370,000).

e. Contributed surplus

	Nine Months Ended September 30, 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))	13,672	136,796
Restricted share units vested	-	(101,412)
Stock options exercised	(19,609)	(3,081)
Balance at end of the period	4,676,456	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:

	Nine Months Ended September 30, 2021 \$	Year Ended December 31, 2020 \$
Opening balance	72,263	134,522
Repayment	-	(83,884)
Accretion of CAAP loan	8,548	21,625
	80,811	72,263
Less current portion	80,811	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 Nine Months Ended September 30, \$	2020 \$
Key management salaries, short-term benefits, consulting fees, and director fees	855,589	746,609
Consulting fees and key management salaries payable to officers included in accounts payable and accrued liabilities	40,000	-
Key management personnel share-based payments	6,167	79,751
Amount payable to directors	39,657	40,561

During the nine month period ended September 30, 2021 the Company paid \$126,510 in research and development expenditures to the Angiogenesis Foundation of which a director of the Company is the CEO of the Foundation.

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 (INCOME)

	Quarters		Nine Months	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Foreign exchange loss (gain)	(154,901)	77,193	13,722	(26,843)
Other expense (income)	(678)	5,823	6,067	3,615
Gain on disposal of equipment	(5,000)	-	(5,000)	-
Plant relocation costs	22,198	61,235	77,637	93,974
	(138,381)	144,251	92,426	70,746

11. FINANCE COSTS

	Quarters		Nine Months	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interest on lease liabilities	34,728	37,538	106,390	115,213
Royalties	-	-	55,000	55,000
Accretion of CAAP loan	2,956	5,503	8,548	15,913
Interest on long-term debt	-	25	-	2,024
Transaction costs	-	-	-	1,108
	37,684	43,066	169,938	189,258

12. EMPLOYEE BENEFITS EXPENSE

	Quarters		Nine Months	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Employee benefits	913,203	972,649	2,913,198	3,097,348

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:

	Quarters		Nine Months	
	Ended September 30,	Ended September 30,	Ended September 30,	Ended September 30,
	2021	2020	2021	2020
	\$	\$	\$	\$
United States	2,835,586	3,180,388	9,715,768	8,745,981
Germany	1,479,502	190,680	3,377,007	2,474,880
China	187,432	82,665	439,174	1,098,271
Other	12,975	14,122	51,892	51,638
Canada	7,485	7,770	49,513	44,200
	4,522,980	3,475,625	13,633,354	12,414,970

During the nine month period ended September 30, 2021, the Company had export sales to one major distributor of the Company's products in the aggregate amount of \$12,596,707 representing 92% of total revenue (2020 - \$11,202,378 representing 90% 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:

Nine Months ended September 30, 2021:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	13,603,374	29,980	13,633,354
Gross margin	7,835,679	10,067	7,845,746
Other income (expenses)	(92,426)	-	(92,426)
Income (loss) before tax	2,238,735	(172,113)	2,066,622
Income tax benefit	-	-	-
Net income (loss) and comprehensive income (loss)	2,238,735	(172,113)	2,066,622
Depreciation and amortization	1,407,432	960	1,408,392
Share-based payments	13,672	-	13,672
Additions to property and equipment	591,772	-	591,772

Three months ended September 30, 2021:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	4,503,740	19,240	4,522,980
Gross margin	2,944,670	4,655	2,949,325
Other income (expenses)	138,381	-	138,381
Income (loss) before tax	917,490	(42,216)	875,274
Income tax benefit	-	-	-
Net income (loss) and comprehensive income (loss)	917,490	(42,216)	875,274
Depreciation and amortization	470,716	320	471,036
Share-based payments	6,844	-	6,844
Additions to property and equipment	217,771	-	217,771

At September 30, 2021:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Property and equipment	17,772,126	4,665	17,776,791
Segment assets	31,013,723	175,313	31,189,036
Segment liabilities	4,754,736	17,314	4,772,050

Nine Months ended September 30, 2020:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	12,398,431	16,539	12,414,970
Gross margin	6,621,606	(1,209)	6,620,397
Other income (expenses)	(70,746)	-	(70,746)
Income (loss) before tax	2,675,450	(280,733)	2,394,717
Income tax benefit	-	-	-
Net income (loss) and comprehensive income (loss)	2,675,450	(280,733)	2,394,717
Depreciation and amortization	1,381,493	1,345	1,382,838
Share-based payments	122,902	-	122,902
Additions to property and equipment	222,610	-	222,610

Three months ended September 30, 2020:

	Active Ingredient Product Technology Industry	Cosmeceutical Industry	Total
	\$	\$	\$
Revenue from external sales	3,470,434	5,191	3,475,625
Gross margin	1,659,899	1,646	1,661,545
Other income (expenses)	(144,251)	-	(144,251)
Income (loss) before tax	254,630	(63,007)	191,623
Income tax benefit	-	-	-
Net income (loss) and comprehensive income (loss)	254,630	(63,007)	191,623
Depreciation and amortization	461,868	449	462,317
Share-based payments	14,755	-	14,755
Additions to property and equipment	184,380	-	184,380

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.

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

	September 30, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 7,410,214	\$ 7,410,214	\$ 5,369,029	\$ 5,369,029
Trade and other receivables	2,755,580	2,755,580	2,121,947	2,121,947
Financial liabilities:				
Accounts payable and accrued liabilities	\$ 1,097,645	\$ 1,097,645	\$ 1,067,622	\$ 1,067,622
CAAP loan	80,811	80,811	72,263	72,263

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 93% of trade receivables are due from one distributor at September 30, 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:

	September 30, 2021	December 31, 2020
	\$	\$
Not yet due	1,317,462	407,993
Less than 30 days past due	1,356,560	1,419,731
Less than 60 days past due, more than 30 days past due	42,036	191,999
More than 60 days past due	-	-
Total	2,716,058	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 September 30, 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 \$7,410,214 at September 30, 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 September 30, 2021:

	within 1 year \$	1 to 3 years \$	3 to 5 years \$	over 5 years \$	Total \$
Accounts payable and accrued liabilities	1,097,645	-	-	-	1,097,645
CAAP loan	83,884	-	-	-	83,884
Total	1,181,529	-	-	-	1,181,529

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 September 30, 2021.

	Carrying Amount (USD)	Foreign Exchange Risk (CDN)	
		-1%	+1%
		Earnings & Equity	Earnings & Equity
Financial assets			
Accounts receivable	2,130,882	27,150	(27,150)
Financial liabilities			
Accounts payable and accrued liabilities	276,257	(3,520)	3,520
Total increase (decrease)		23,629	(23,629)

The carrying amount of accounts receivable and accounts payable and accrued liabilities in USD represents the Company's exposure at September 30, 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 September 30, 2021.

17. INCOME PER COMMON SHARE

	Quarters		Nine Months	
	Ended September 30, 2021	Ended September 30, 2020	Ended September 30, 2021	Ended September 30, 2020
Net income for the period for basic and diluted earnings per share calculation	\$875,274	\$191,623	\$2,066,622	\$2,394,717
Weighted average number of common shares outstanding	77,684,017	77,610,113	77,669,747	77,585,679
Effect of dilutive stock options	1,056,515	1,090,302	1,024,722	453,426
Diluted weighted average number of common shares	78,740,532	78,700,415	78,694,469	78,039,105
Income per share - basic	\$0.01	\$0.00	\$0.03	\$0.03
Income per share - diluted	\$0.01	\$0.00	\$0.03	\$0.03

For the nine month period ended September 30, 2021, 430,000 (nine month period ended September 30, 2020 – 1,838,667) 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 quarter ended September 30, 2021, 430,000 (quarter ended September 30, 2020 – 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.