

May 28, 2012



# Ceapro Reports First Quarter 2012 Financial Results and Provides a Corporate Update

EDMONTON, ALBERTA -- (Marketwire) -- 05/28/12 -- Ceapro Inc. (TSX VENTURE: CZO) ("Ceapro" or "the Company") today released financial results for the quarter ended March 31, 2012 and provided a corporate update.

## FINANCIAL RESULTS FOR THE QUARTER ENDED MARCH 31, 2012

- Total sales of \$1,190,000 compared to \$1,534,000 in 2011.
- Income from operations of \$17,000 compared to \$353,000 in 2011
- Net loss of \$4,000 compared to a net income of \$330,000 for 2011.

"Our sales revenue and profits were lower in the first quarter versus last year and were the result of normal quarterly fluctuations", said Gilles Gagnon, Acting CEO of Ceapro. "Our results are best measured over the course of the entire year due to timing of orders and because different product mixes with different gross margins can have a big influence on quarterly results. Our operations in the quarter demonstrated solid operational performance while extra expenditures were required for launching a marketing study and to conduct a feasibility study related to manufacturing activities. We have continued to invest in our Company, our solid R&D program, and new technology to ensure Ceapro remains well noticed on the world innovation stage", added Mr. Gagnon.

## CORPORATE UPDATE

### Marketing and Sales:

#### New business:

- First sales orders received from new customers serviced by Ross Organics in the US Southwest
- New distribution partners in Europe get strong interest in Ceapro products. During the first quarter several new companies have begun formulating with Ceapro products and placing small initial orders. We are very pleased with their rapid acceptance and positive reception as our experience has shown that the sales cycle will often run two years or even longer for new customers.

#### Marketing strategy:

During the first quarter we launched a strategic marketing review to help determine the best way to increase the distribution and sales of Ceapro products across the globe. A US based company with exposure to the personal care industry was engaged to do a comprehensive review of our company and products, assess the markets, and determine the best strategy to grow. While we have successfully focused most of our limited resources on developing good products and processes as a sound foundation for success, it is now time to invest significantly in building out our marketing and sales network with the appropriate expertise to assist us in that regard. We will also take the opportunity to assess the branding of Ceapro.

#### Business Development:

- Completion of a major world-wide avenanthramide technology licensing agreement with Agriculture and Agri-Food Canada to allow product expansion to several indications in cosmetics and potential access to new food and nutraceutical markets
- Ongoing discussions with potential distributors in European and Asia Pacific markets .

#### Research and Development:

Our research and collaboration efforts have continued to generate positive news which we expect will translate into large gains in the future for Ceapro.

#### Avenanthramides:

- The recent licensing of key avenanthramide process technology from Agriculture and Agri-Foods Canada is a very important milestone. This technology should support the growth of our flagship avenanthramide products by allowing for greater increases in output capacity and then enabling to pursue new markets like functional foods which were not previously possible due to the limited commercial supply. We believe that this market offers a great potential for our avenanthramides. Research data from other parties also suggest that consumption of avenanthramides have the ability to provide significant therapeutic benefits for conditions such as inflammatory bowel syndrome, colon cancer, and exercise induced inflammation. Given the expected availability of higher quantities and concentrations of avenanthramides, we look forward to the development of formulations suitable for the functional food, nutraceutical and pharmaceutical areas

#### Beta Glucan

- Beta glucan is another oat product with high potential. Ceapro customers currently utilize this ingredient for skin moisturization, anti-aging, wound and skin repair formulations. In order to further support new claims, we recently completed a study demonstrating superior and longer lasting skin moisturization of Ceapro Oat Beta Glucan versus Hyaluronic acid, a similar molecular weight product also used for this indication.,
- Beta glucan is also the ingredient in oats that is well known to significantly reduce cholesterol levels ("the bad one"). In light of this opportunity, Ceapro has successfully created a high purity powder

form of beta glucan from its liquid product at pilot scale using a novel supercritical fluid drying process. This may allow for new formulations to be launched into new markets like functional foods and drinks and pharmaceuticals. The technology has attracted the interest of third parties and may provide Ceapro an opportunity to generate additional value through out-licensing.

## **Spearmint:**

### -- Yield

Our spearmint program is beginning its third growing season and we have developed prototype extracts for analysis at our in-vitro lab in Charlottetown. While we are relatively early in our studies, we are very pleased with the results to date. We have previously obtained concentrations of rosmarinic acid as high as 13.5% in our plants with the super spearmint variety licensed from University of Guelph which is up to 27 times higher than the usual concentration of 0.5% found in regular spearmint varieties. This type of yield will provide a strong competitive advantage for Ceapro.

### -- Clinical trial

There is currently a very interesting clinical trial being conducted by researchers at University of Guelph. Given rosmarinic acid has recognized anti-inflammatory properties, the goal of this study is to confirm expected beneficial effects of drinking a spearmint tea for the improvement of conditions like osteoarthritis and cartilage degradation of the knee, a pathology that affects more than 10% of the Canadian population. This two arms controlled trial which has been set for 50 participants had already enrolled 40 participants. They will randomly consume two cups of spearmint tea each day for four months- either a regular spearmint tea or a super spearmint tea with high concentration of rosmarinic acid. Expected results will be to confirm efficacy, if any and to compare any dose response relationship of different concentrations of rosmarinic acid.

### -- Equine and Companion Animal Market

Before initiating the human clinical trial with the spearmint tea, University of Guelph researchers conducted a study with horses where they indeed demonstrated the positive effects on inflammation when horses consumed the spearmint. Potential markets for equine and senior companion animals where inflammation is a major issue are definitely significant markets to consider in the future.

**We have high expectations for this spearmint product for which we have obtained the rights for all indications from the University of Guelph. This is a great example of one plant that can produce several therapeutic products for several large markets that need solutions and represents a good example of how Ceapro may transition into the functional food or nutraceutical markets. It is also a great example of Canadian collaboration on the world stage and we expect this will be very beneficial for all the participants, and Canadian agriculture producers who may have opportunities to grow large volumes of a novel crop.**

"As you can see, at Ceapro, we have a lot of exciting things to look forward in 2012 and beyond. The Ceapro team has worked very hard to develop these attractive growth opportunities and we anticipate this will result in increases in shareholder value", commented Mr. Gagnon.

The complete audited annual report and financial statements are available for review on SEDAR at <http://sedar.com/Ceapro> and on the Company's website at [www.ceapro.com](http://www.ceapro.com).

#### About Ceapro Inc.

Ceapro Inc. is a Canadian growth-stage biotechnology company. Primary business activities relate to the development and commercialization of active ingredients for personal care and cosmetic industries using proprietary technology and natural, renewable resources. To learn more about Ceapro, visit [www.ceapro.com](http://www.ceapro.com).

#### CEAPRO INC.

Consolidated Statements of Net Income (loss) and Comprehensive Income (loss)  
Unaudited

	Three Months Ended March 31,	
	2012	2011
	\$	\$
	(restated, note 18)	
Revenue	1,189,513	1,533,594
Cost of goods sold	520,694	612,248
Gross margin	668,819	921,346
Research and product development	162,472	187,275
General and administration	391,888	304,511
Sales and marketing	71,426	30,028
Finance costs (note 12)	25,997	46,506
Income from operations	17,036	353,026
Other operating loss (note 11)	20,552	23,063
Net income (loss) and comprehensive income (loss) for the period	(3,516)	329,963
Net income (loss) per common share:		
Basic	(0.00)	0.01
Diluted	(0.00)	0.01
Weighted average number of common shares outstanding	60,278,948	56,508,241

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