

November 27, 2020



# Ceapro Inc. Reports 2020 Third Quarter and Nine-Month Financial Results and Operational Highlights

- *R&D activities focused on advancing the development of innovative delivery systems and yeast beta glucan as a potential inhalable therapeutic for COVID-19 –*
- *Q3 2020 sales of \$3,476,000 compared to \$2,908,000 for Q3 2019, representing a 20% increase –*
- *Net profit of \$192,000 for Q3 2020 vs. net loss of \$104,000 for Q3 2019 –*
- *Cash generated from operations of \$4,777,000 in 2020 vs. \$1,321,000 in 2019 –*
- *Maintained production operations during COVID-19 pandemic and completed integration of manufacturing sites –*

EDMONTON, Alberta, Nov. 27, 2020 (GLOBE NEWSWIRE) -- [Ceapro Inc. \(TSX-V: CZO; OTCQX: CRPOF\)](#) (“**Ceapro**” or the “**Company**”), a growth-stage biotechnology company focused on the development and commercialization of active ingredients for healthcare and cosmetic industries, today announced financial results and operational highlights for the third quarter and the first nine months ended September 30, 2020.

“Over the course of the third quarter, our operations executed and adapted well, delivering significantly improved year over year results even during the final phase of integration of the production operations and despite the COVID-19 pandemic situation. We successfully completed the full integration of manufacturing operations under one roof in Edmonton, resumed the clinical trial for beta glucan as a cholesterol reducer, as well as the development and optimization of new products developed through the use of our PGX disruptive technology. Additionally, we are extremely proud of our employees who worked tirelessly since the beginning of the year to maintain operations and deliver these solid results despite the COVID-19 pandemic. As we continue to move forward, our focus remains on the health and safety of our associates, followed by business continuity,” stated [Gilles Gagnon, M.Sc., MBA, President and CEO](#).

## Corporate and Operational Highlights

### ***Pipeline Development:***

- Announced publication of positive results from study evaluating avenanthramides in exercise-induced inflammation in the international, peer-reviewed *Journal of the International Society of Sports Nutrition*.

- Achieved the first milestones in successful development of PGX-processed yeast beta glucan product as a potential inhalable therapeutic for COVID-19 and other fibrotic endpoint diseases of the lung.
- Confirmed capability of PGX Technology to optimize and standardize the size and morphology of yeast beta-glucan (PGX-YBG) suitable for lung inhalation.
- Conducted *in-vitro* study with human cell lines demonstrating that PGX-YBG obtained from different sources exhibited significant stimulatory effect on human immune response through activation of beta glucan specific Dectin 1 receptors.
- Ongoing PGX-YBG project with McMaster University conducted in parallel for naïve and preclinical animal models. To-date, no safety issues have been encountered. The preclinical phase has been extended to identify the maximum tolerated dose. Progress update on this exciting project to be issued in the near future.
- Conducting additional *in vitro* PGX-YBG dose response study to correlate with upcoming McMaster animal study results.
- Resumed enrollment of patients for the clinical trial with beta glucan as a cholesterol reducing natural pharmaceutical product. 191 patients have been screened and 65 randomized during the last three months.
- Pursued the development of new PGX-dried chemical complexes for potential applications under various forms like pills, capsules, fast dissolving strips and face masks. Yeast beta glucan to become a key product of Ceapro's portfolio.

#### ***Technology:***

- Made significant technical upgrades of PGX demo plant to allow production of yeast beta glucan for a potential human clinical trial with COVID-19.
- Acquired pieces of equipment suitable for the assembling of a commercial scale PGX unit. Timelines to initiate building of the customized large scale unit to be defined due to COVID-19 travel restrictions and resulting availability of expert personnel.
- Initiated installment of a commercial scale unit for impregnation of bioactives with PGX-processed biopolymers.
- Pursued research collaboration projects with University of Alberta and McMaster University for the impregnation of various bioactives using PGX-processed biopolymers as potential delivery systems for multiple applications in healthcare.

#### ***Production Operations:***

- Completed the decommissioning of Leduc manufacturing site and the moving of all production operations to the Edmonton based facility.

#### ***Corporate:***

- Fully repaid loan with Alberta Financial Service Corporation.
- Advanced conversations with interested potential partners to utilize Ceapro's innovative technologies.
- Pursued out-licensing discussions for PGX-processed new chemical complexes.

#### ***Subsequent to Quarter:***

- Announced expansion of a grant from National Research Council of Canada for the optimization and mass production of yeast beta glucan as a potential inhalable

therapeutic for COVID-19 and other fibrotic end-point disease of the lung.

## Financial Highlights for the Third Quarter and Nine-Month Period Ended September 30, 2020

- Total sales of \$3,476,000 for the third quarter of 2020 and \$12,415,000 for the first nine months of 2020 compared to \$2,908,000 and \$9,159,000 for the comparative periods in 2019. The 36% increase in sales for the first nine months is mainly due to a significant increase in sales of avenanthramides in the USA compared to the same period in 2019.
- Net profit of \$192,000 for the third quarter of 2020 and \$2,395,000 for the first nine months of 2020 compared to a net loss of \$104,000 and \$1,299,000 for the comparative periods in 2019. An improvement of \$3,694,000 for the nine-month period.
- Excluding non-cash items, mainly amortization, adjusted net profit for the first nine months in 2020 is \$ 4,035,000 versus adjusted net profit of \$414,000 for the first nine months of 2019.
- Cash flows generated from operations of \$4,777,000 in 2020 vs \$1,321,000 in 2019.
- Positive working capital balance of \$8,151,000 as of September 30, 2020.

“Looking ahead, while taking into account the ongoing potential economic impact related to COVID-19 and evolving consumption trends, we believe Ceapro is well-positioned to once again deliver a double-digit growth in sales well in line with the positive trend achieved over the last years. With a strong balance sheet, a group of dedicated people, and a solid base business, coupled with the innovative technologies and products that we have developed to enable us to expand, Ceapro is poised to emerge as a successful life science company,” concluded Mr. Gagnon.

CEAPRO INC.  
Consolidated Balance Sheets  
Unaudited

	September 30, 2020	December 31, 2019
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6,118,403	1,857,195
Trade receivables	1,838,092	3,659,541
Other receivables	143,187	46,812
Inventories (note 3)	1,191,675	669,005
Prepaid expenses and deposits	166,437	178,908
	<b>9,457,794</b>	<b>6,411,461</b>
<b>Non-Current Assets</b>		
Investment tax credits receivable	607,700	607,700
Deposits	85,755	85,755
Licences (note 4)	19,255	21,477
Property and equipment (note 5)	18,605,763	19,764,122
Deferred tax assets	378,643	378,643
	<b>19,697,116</b>	<b>20,857,697</b>
<b>TOTAL ASSETS</b>	<b>29,154,910</b>	<b>27,269,158</b>

## LIABILITIES AND EQUITY

### Current Liabilities

Accounts payable and accrued liabilities	949,813	1,291,204
Current portion of long-term debt (note 6)	-	111,865
Current portion of lease liabilities (note 7)	275,726	265,123
Current portion of CAAP loan (note 9)	80,814	72,942

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1,306,353      1,741,134

### Non-Current Liabilities

Long-term lease liabilities (note 7)	2,567,487	2,775,627
CAAP loan (note 9)	69,621	61,580
Deferred tax liabilities	378,643	378,643

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3,015,751      3,215,850

### TOTAL LIABILITIES

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4,322,104      4,956,984

### Equity

Share capital (note 8 (b))	16,507,998	16,401,677
Contributed surplus (note 8 (e))	4,669,684	4,650,090
Retained earnings	3,655,124	1,260,407

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24,832,806      22,312,174

### TOTAL LIABILITIES AND EQUITY

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29,154,910      27,269,158

## CEAPRO INC.

### Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

#### Unaudited

	Quarters		Nine Months	
	Ended September 30, 2020	2019	Ended September 30, 2020	2019
	\$	\$	\$	\$
Revenue (note 15)	3,475,625	2,907,980	12,414,970	9,158,637
Cost of goods sold	1,814,080	1,894,570	5,794,573	5,327,161
Gross margin	1,661,545	1,013,410	6,620,397	3,831,476
Research and product development	478,993	307,477	1,381,332	1,919,875
General and administration	791,217	666,640	2,494,514	2,278,279
Sales and marketing	12,395	87,176	89,830	289,956
Finance costs (note 12)	43,066	51,865	189,258	213,052
Income (loss) from operations	335,874	(99,748)	2,465,463	(869,686)
Other income (expenses) (note 11)	(144,251)	(3,766)	(70,746)	(429,047)
Income (loss) before tax	191,623	(103,514)	2,394,717	(1,298,733)
Income taxes	-	-	-	-
Total comprehensive income (loss) for the period	191,623	(103,514)	2,394,717	(1,298,733)
Net income (loss) per common share (note 18):				
Basic	0.00	(0.00)	0.03	(0.02)
Diluted	0.00	(0.00)	0.03	(0.02)

Weighted average number of common shares outstanding (note 18):

Basic	77,610,113	77,313,015	77,585,679	77,138,854
Diluted	78,700,415	77,313,015	78,039,105	77,138,854

CEAPRO INC.  
Consolidated Statements of Cash Flows  
Unaudited

Nine Months Ended September 30,	2020 \$	2019 \$
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	2,394,717	(1,298,733)
Adjustments for items not involving cash		
Finance costs	117,237	132,161
Transaction costs	1,108	3,633
Depreciation and amortization	1,382,838	1,369,653
Foreign exchange gain on long-term debt	-	(307)
Accretion	15,913	22,258
Share-based payments	122,902	185,557
Net income (loss) for the period adjusted for non-cash items	4,034,715	414,222
<b>CHANGES IN NON-CASH WORKING CAPITAL ITEMS</b>		
Trade receivables	1,821,449	705,254
Other receivables	(96,375)	(16,754)
Inventories	(522,670)	(258,444)
Prepaid expenses and deposits	12,471	257,010
Accounts payable and accrued liabilities relating to operating activities	(355,552)	351,547
Total changes in non-cash working capital items	859,323	1,038,613
Net income (loss) for the period adjusted for non-cash and working capital items	4,894,038	1,452,835
Interest paid	(117,237)	(132,161)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>4,776,801</b>	<b>1,320,674</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(222,610)	(338,548)
Proceeds from sale of equipment	353	-
Deposits relating to investment in equipment	-	187,790
Accounts payable and accrued liabilities relating to investing activities	14,161	54,933
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(208,096)</b>	<b>(95,825)</b>
<b>FINANCING ACTIVITIES</b>		
Stock options exercised	3,013	17,284
Repayment of long-term debt	(112,973)	(288,617)
Repayment of lease liabilities	(197,537)	(201,850)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(307,497)</b>	<b>(473,183)</b>
Increase in cash and cash equivalents	4,261,208	751,666
Cash and cash equivalents at beginning of the period	1,857,195	1,844,134
Cash and cash equivalents at end of the period	6,118,403	2,595,800

The complete financial statements are available for review on SEDAR at <https://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 biotechnology company involved in the development of proprietary extraction technology and the application of this technology to the production of extracts and "active ingredients" from oats and other renewable plant resources. Ceapro

adds further value to its extracts by supporting their use in cosmeceutical, nutraceutical, and therapeutics products for humans and animals. The Company has a broad range of expertise in natural product chemistry, microbiology, biochemistry, immunology and process engineering. These skills merge in the fields of active ingredients, biopharmaceuticals and drug-delivery solutions. For more information on Ceapro, please visit the Company's website at [www.ceapro.com](http://www.ceapro.com).

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*This press release does not express or imply that the Company claims its products have the ability to eliminate, cure or contain the SARS-2-CoV-2 (COVID-19) at this time.*

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Source: Ceapro Inc.