

April 22, 2021



Ceapro Inc. Reports Fourth Quarter and Full Year 2020 Financial Results and Operational Highlights

- *Maintained production operations during COVID-19 pandemic, providing customers with essential products and completing integration of manufacturing site, while ensuring the health and safety of employees*
- *Substantially increased sales, net profits and cash generated from operations during the year 2020, representing one of Ceapro's best performances in company history*
- *R&D activities focused on advancing the development of innovative delivery systems and yeast beta glucan as a potential inhalable therapeutic for COVID-19*

EDMONTON, Alberta, April 22, 2021 (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 operational highlights and financial results for the fourth quarter and full year ended December 31, 2020.

"We could not be prouder of our resilient employees who worked tirelessly to deliver one of the best ever performances in the Company's history during such a stressful year marked by the ongoing COVID-19 pandemic. While ensuring safety of our employees as our first priority, we were able to secure business continuity by putting more emphasis on production operations to serve our customers in the cosmetic sector. This approach, which has resulted in significant increase in sales, net profits and cash on hand, also allowed us to maintain investments in Research and Development as per our strategy to expand Ceapro's business model from a contract manufacturer/commodity company to a high-value life science/biopharmaceutical company offering innovative products and delivery systems to the healthcare sector," stated [Gilles Gagnon, M.Sc., MBA, President and CEO](#), of Ceapro.

"In addition to excellent financial and operational results, main highlights of the year include the development of beta glucan from yeast and its potential as an inhalable therapeutic for COVID-19 patients as well as the development of new chemical complexes through the use of the PGX Technology. We are thrilled with the achievements made in 2020," added Mr. Gagnon.

2020 Corporate and Operational Highlights

Pipeline Development

Oat Beta Glucan:

- Resumed enrollment of patients for the clinical trial with beta glucan as a cholesterol

reducing natural pharmaceutical product. The study will enroll approximately 264 patients. To date, two thirds of the patients have been screened and randomized.

- Received approval from Health Canada for an amendment to the protocol to allow evaluation of subjects with confirmed pathophysiological condition of hyperlipidemia who voluntarily request to be treated with beta glucan only, without regular dosing of statins. This significant change, allowing patients to receive beta glucan as a stand-alone therapy, has accelerated patient enrollment and is expected to expand the target addressable patient population.

Avenanthramides:

- Announced the 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*. Positive results support anti-inflammatory claims for avenanthramides as a nutraceutical product and pave the way for a Phase 1 clinical trial as a potential pharmaceutical product.
- Continued to monitor stability studies for liquid avenanthramides produced at a new manufacturing site as well as for the pharmaceutical-grade dry powder formulation of avenanthramides to be used in a human Phase 1 bioavailability and safety study.

New Products:

Cannabis

- Received approval from Health Canada Controlled Substances and Cannabis Branch for a five-year research license with medical cannabis for the formulation of unique solid cannabinoid delivery systems using PGX technology.

Yeast Beta Glucan (YBG)

- Developed an optimal formulation of YBG coming from various sources.
- Confirmed capability of PGX Technology to optimize and standardize the size and morphology of yeast beta-glucan (PGX-YBG) suitable for lung inhalation.
- 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.
- Conducted an *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.
- Conducted additional *in vitro* PGX-YBG dose response study to correlate with

upcoming McMaster animal study results. YBG induces immunomodulation without affecting inflammation pathways. This product is poised to become a key strategic asset for the Company.

New Chemical Complexes:

- Developed new PGX-dried chemical complexes like sodium alginate and gum arabic impregnated with co-enzyme Q10 (CoQ10). Positive results published in peer-reviewed journals demonstrate the versatility of the PGX Technology and the potential to develop significant bioactive delivery systems. Key learnings from these studies pave the way for the scale-up of the technology at the commercial level.
- Subsequent to year-end, Ceapro announced the successful completion of a long-term research program conducted with University of Alberta. This screening program allowed Ceapro to retain the most promising products and expand the PGX-based products pipeline.

Technology:

- Performed significant technical upgrades of PGX pilot plant in Edmonton to allow production of yeast beta glucan for a potential clinical trial with COVID-19 patients.
- Completed a feasibility study for the commercial scale up of the PGX Technology. Several manufacturers and existing supercritical plants were contacted in 2020 for the choice of equipment and location. Given excellent results obtained with the new yeast beta glucan product, it became clear that location of the first large scale PGX unit should be close to the best source of raw material which was found in Germany where the Company also acquired pieces of equipment suitable for the assembling of such unit. Production at the retained site will be mostly for the commercialization of yeast beta glucan as an immune booster and for alginate as a carrier for other bioactives.
- Initiated installment in Edmonton 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.

Bioprocessing Operations

- Completed the integration of production operations under one roof in Edmonton. Ceapro's dedicated production team successfully responded to the growing market demand for the cosmeceutical base business by producing over 250 metric tons of active ingredients in 2020, a 25% increase over the previous year.
- Received renewal of the Site License from the Health Canada Natural Product Directorate. This License enables the Company to manufacture, package, label, release and distribute final products.

Corporate

- Fully repaid loan with Agriculture Financial Services Corporation.
- 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.
- Pursued out-licensing discussions for PGX-processed new chemical complexes.
- Secured DTC Eligibility for publicly traded shares under Ticker OTCQZ: CRPOF and to expand Company exposure to other markets with an emphasis in USA.

Financial Highlights for the Fourth Quarter and the Full Year 2020 Ended December 31, 2020

- Total sales of \$2,706,000 for the fourth quarter of 2020 and \$15,121,000 for the full year of 2020 compared to \$3,721,000 and \$12,880,000 for the comparative periods in 2019. The 17% increase in revenue for the full year 2020 results from an 33% increase in sales of avenanthramides (mostly made to USA) partially offset by a 16% decrease in sales of beta glucan.
- Net loss of \$539,000 for the fourth quarter of 2020 and a net profit of \$1,856,000 for the full year of 2020 compared to a net profit of \$166,000 and a net loss of \$1,133,000 for the comparative periods in 2019, a year over year improvement of \$2,989,000. Third and fourth quarter 2020 were marked by the completion of the decommissioning of Leduc manufacturing site and the final integration of production operations in the Edmonton facility. These time-consuming moves resulted in some necessary adjustments in equipment at the new site. It also required additional training of relocated employees.
- Cash generated from operations of \$4,453,000, for the full year 2020 vs cash generated from operations of \$882,000 for the full year 2019.
- Positive working capital balance of \$7,659,000 as of December 31, 2020.

“I strongly believe 2021 holds a lot of opportunity for Ceapro. Our focus remains on the health and safety of our associates during this COVID-19 pandemic crisis, followed by business continuity. Depending on the evolution of the COVID-19 pandemic, we expect Ceapro’s cosmeceuticals base business to continue to grow and provide positive operating cash flows to support the expansion to a new business model from a contract manufacturer to a biopharmaceutical development company involved in nutraceuticals and pharmaceuticals. Based on a very solid foundation, a highly competent team, a healthy balance sheet and a very strong technology and product portfolio with the potential to access key large markets, we have all the key components for success,” concluded Mr. Gagnon.

| | \$ | \$ |
|---|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 5,369,029 | 1,857,195 |
| Trade receivables | 2,019,723 | 3,659,541 |
| Other receivables | 102,224 | 46,812 |
| Inventories (note 3) | 1,210,079 | 669,005 |
| Prepaid expenses and deposits | 348,845 | 178,908 |
| | 9,049,900 | 6,411,461 |
| Non-Current Assets | | |
| Investment tax credits receivable | 607,700 | 607,700 |
| Deposits | 82,124 | 85,755 |
| Licences (note 4) | 18,514 | 21,477 |
| Property and equipment (note 5) | 18,591,189 | 19,764,122 |
| Deferred tax assets (note 14 (b)) | 874,304 | 378,643 |
| | 20,173,831 | 20,857,697 |
| TOTAL ASSETS | 29,223,731 | 27,269,158 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 1,067,622 | 1,291,204 |
| Current portion of long-term debt (note 6) | - | 111,865 |
| Current portion of lease liabilities (note 7) | 250,658 | 265,123 |
| Current portion of CAAP loan (note 9) | 72,263 | 72,942 |
| | 1,390,543 | 1,741,134 |
| Non-Current Liabilities | | |
| Long-term lease liabilities (note 7) | 2,648,917 | 2,775,627 |
| CAAP loan (note 9) | - | 61,580 |
| Deferred tax liabilities (note 14 (b)) | 874,304 | 378,643 |
| | 3,523,221 | 3,215,850 |
| TOTAL LIABILITIES | 4,913,764 | 4,956,984 |
| Equity | | |
| Share capital (note 8 (b)) | 16,511,067 | 16,401,677 |
| Contributed surplus (note 8 (e)) | 4,682,393 | 4,650,090 |
| Retained earnings | 3,116,507 | 1,260,407 |
| | 24,309,967 | 22,312,174 |
| TOTAL LIABILITIES AND EQUITY | 29,223,731 | 27,269,158 |

CEAPRO INC.

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

| Year Ended December 31, | 2020 \$ | 2019 \$ |
|-------------------------|------------|------------|
| Revenue (note 16) | 15,121,282 | 12,880,006 |
| Cost of goods sold | 7,498,996 | 7,434,654 |

| | | |
|---|------------|-------------|
| Gross margin | 7,622,286 | 5,445,352 |
| Research and product development | 1,881,883 | 2,393,607 |
| General and administration | 3,282,754 | 2,952,488 |
| Sales and marketing | 111,044 | 425,230 |
| Finance costs (note 12) | 231,271 | 260,684 |
| Income (loss) from operations | 2,115,334 | (586,657) |
| Other expenses (note 11) | (259,234) | (549,379) |
| Income (loss) before tax | 1,856,100 | (1,136,036) |
| Income taxes | | |
| Current tax recovery | - | - |
| Deferred tax benefit | - | 3,408 |
| Income tax benefit | - | 3,408 |
| Total comprehensive income (loss) for the year | 1,856,100 | (1,132,628) |
| Net income (loss) per common share (note 21): | | |
| Basic | 0.02 | (0.01) |
| Diluted | 0.02 | (0.01) |
| Weighted average number of common shares outstanding (note 21): | | |
| Basic | 77,594,629 | 77,188,505 |
| Diluted | 78,143,033 | 77,188,505 |

CEAPRO INC.

Consolidated Statements of Cash Flows

| Year Ended December 31, | 2020 \$ | 2019 \$ |
|--|------------------|----------------|
| OPERATING ACTIVITIES | | |
| Net income (loss) for the year | 1,856,100 | (1,132,628) |
| Adjustments for items not involving cash | | |
| Finance costs | 153,538 | 171,249 |
| Transaction costs | 1,108 | 4,187 |
| Depreciation and amortization | 1,841,033 | 1,831,744 |
| Foreign exchange gain on long-term debt | - | (307) |
| Accretion | 21,625 | 30,248 |
| Deferred tax benefit | - | (3,408) |
| Share-based payments | 136,796 | 212,517 |
| Net income (loss) for the year adjusted for non-cash items | 4,010,200 | 1,113,602 |
| CHANGES IN NON-CASH WORKING CAPITAL ITEMS | | |
| Trade receivables | 1,639,818 | (644,197) |
| Other receivables | (55,412) | 87 |
| Inventories | (541,074) | 41,703 |
| Prepaid expenses and deposits | (88,839) | 154,106 |
| Accounts payable and accrued liabilities relating to operating activities | (358,136) | 388,064 |
| Total changes in non-cash working capital items | 596,357 | (60,237) |
| Net income (loss) for the year adjusted for non-cash and working capital items | 4,606,557 | 1,053,365 |
| Interest paid | (153,538) | (171,249) |
| CASH GENERATED FROM OPERATIONS | 4,453,019 | 882,116 |

| | | |
|---|------------------|------------------|
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (528,707) | (332,186) |
| Purchase of leasehold improvements | (12,870) | (6,007) |
| Proceeds from sale of equipment | 353 | - |
| Deposits relating to investment in equipment | (77,467) | 187,790 |
| Accounts payable and accrued liabilities relating to investing activities | 134,554 | (46,738) |
| CASH USED IN INVESTING ACTIVITIES | (484,137) | (197,141) |
| FINANCING ACTIVITIES | | |
| Stock options exercised | 4,897 | 17,284 |
| Repayment of long-term debt | (112,973) | (339,321) |
| Repayment of CAAP loan | (83,884) | (83,884) |
| Repayment of lease liabilities | (265,088) | (265,993) |
| CASH USED IN FINANCING ACTIVITIES | (457,048) | (671,914) |
| Increase in cash and cash equivalents | 3,511,834 | 13,061 |
| Cash and cash equivalents at beginning of the year | 1,857,195 | 1,844,134 |
| Cash and cash equivalents at end of the year | 5,369,029 | 1,857,195 |

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.

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.

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