

May 18, 2022



# Ceapro Inc. Reports Record Financial Results for First Quarter 2022 and Provides Corporate Update

- *Best quarterly financial results in history of the Company*
- *Q1 2022 sales of \$6,172,000 vs \$4,702,000 in Q1 2021, a 31% increase*
- *Operating profit of \$2,614,000 in Q1 2022 vs \$515,000 in Q1 2021*
- *Company responds to increased demand by doubling output in Q1 2022 vs Q1 2021 providing customers essential products while ensuring the health and safety of employees*
- *Strengthened partnership with the Symrise Group by signing a three-year supply and distribution agreement*
- *Pursued the development of delivery systems using PGX Technology*

EDMONTON, Alberta, May 18, 2022 (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 first quarter ended March 31, 2022.

“Our strong financial results this quarter reflect our employees’ dedication to respond to increased demand in a timely manner. It also results from operational efficiencies, as well as a diligent material requirement planning that has allowed us to properly navigate through this inflationary period. Significant capital improvements that were put into the production process during the fourth quarter of 2020 and scaled up over the course of 2021 are now paying off. Additionally, throughout 2021 and continuing into 2022, a key focus for Ceapro was to negotiate distribution and supply agreements with key partners for the Company's portfolio, with an emphasis on improving visibility and long-term sustainability. This quarter, we announced a strengthened distribution and supply agreement with long time distributor and partner, Symrise, which will take us through the end of 2024. This agreement will provide Ceapro with an additional three years of visibility, stable revenue and cashflows,” commented [Gilles Gagnon, M.Sc., MBA, President and CEO](#).

## Corporate and Operational Highlights

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

Company’s focus is on avenanthramides, alginate, yeast beta glucan and new chemical

complexes/delivery systems.

## **Avenanthramides**

### **Formulation:**

In 2021, formulation and process development activities were performed at small scale for 30 mg and 240 mg avenanthramides drug product and placebo to design and optimize the best formulation for a Phase 1 clinical study. The pill formulation was retained.

In the first quarter of 2022, a lab-scale production of the drug product for an informal non-GMP prototype formulation of pills was developed and stability study was launched. The formulation and manufacturing processes of the selected formulation of the drug product was scaled-up in preparation of the clinical batches which will be manufactured, packaged and labeled in June 2022 by Corealis Inc. GMP Manufacturing Services.

### **Phase 1 Clinical Trial:**

The clinical trial protocol has been completed with Montreal Heart Institute and discussions are ongoing with Health Canada.

## **Alginate**

- Developed and fine-tuned new PGX-dried chemical complexes mostly using sodium alginate as a carrier. As an example, drug delivery systems composed of PGX processed cross-linked alginate impregnated with different antibiotics were recently developed and tested both *in vitro* and *in vivo* for wound healing applications. Clear zones of inhibition were seen for all *in vitro* tests, while a disc of cross-linked alginate impregnated with fusidic acid successfully inhibited Methicillin-Resistant *Staphylococcus aureus* (MRSA) infection in wounds in mice.
- Alginate-Co-Q10 is currently part of bioavailability studies at University of Alberta. Results are expected in Q3 2022.
- Subsequent to quarter, results from development of sodium alginate using PGX Technology were published in the peer review Journal of CO2 Utilization. An additional scientific article for alginate impregnated with another bioactive has been submitted for publication in a different scientific journal.
- Thin strips composed of alginate and yeast beta glucan are also being developed and could lead to a viable nutraceutical product.

## **Yeast Beta Glucan (YBG)**

- Progress achieved for the pre-processing of YBG to ensure homogeneous dispersion and deagglomeration of polymers and batch to batch consistency. The team successfully performed several runs on the PGX demo plant to verify the final PGX processed YBG complies with desired product specifications.
- In collaboration with research partners at McMaster University, the team prepared and shipped samples, discussed the findings, and analyzed the data to advance the development of PGX processed YBG for drug delivery, treatment of lung fibrotic disease, and alginate strips loaded with drugs for wound healing.

- Several commercially available formulations of YBG were ordered, processed and analyzed for the development of YBG as an immune booster.

“In summary, given encouraging results obtained so far, alginate and yeast beta glucan are poised to be key strategic assets at the basis of decisions regarding the magnitude of capital expenditures to be incurred for the building of a commercial scale unit for PGX Technology either as a Ceapro stand-alone project or in partnership with another company,” added Mr. Gagnon.

## Corporate

- Appointed Mr. Ronnie Miller, former long-serving President & CEO of Roche Canada and subsequent to quarter, Mrs. Genevieve Foster, an accomplished lawyer, corporate director, governance and business woman to the Company’s Board of Directors.

## Financial Highlights for the First Quarter Ended March 31, 2022

- Total sales of \$6,172,000 for the first quarter of 2022 compared to \$4,702,000 for the comparative period in 2021, an increase of 31% over last year primarily driven by a 32% increase in product sales volume over the comparative quarter due to higher sales of the Company’s flagship product, avenanthramides (+35%) and value driver product, beta glucan (+27%).
- Achieved a favorable gross margin of 64% in Q1 2022 compared to 48% in Q1 2021 and improved net earnings and cash flows.
- Operating profit of \$2,614,000 in Q1 2022 vs \$515,000 for the comparative period in 2021.
- Net profit after tax of \$1,996,000 in Q1 2022 compared to \$515,000 in Q1 2021.
- Cash generated from operations of \$1,300,000 in Q1 2022 vs. \$305,000 in Q1 2021.
- Positive working capital balance of \$13,591,417 as of March 31, 2022.

“Despite the fact that inflation is prevailing on all fronts, management believes the prospects for the Company remain very strong for the remainder of the year given the Company’s diligent material planning program in place through advanced purchase of the best available raw material, the operational efficiencies from our extraction facility in Edmonton along with a strengthened partnership with the Symrise Group. 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. We then expect to further invest in R&D to initiate an early clinical trial with our newly developed avenanthramides pill formulation, to continue the development of new chemical complexes as potential delivery systems for bioactives and emphasize our current efforts for the development and assessment of yeast beta glucan as an immune booster and as a potential inhalable therapeutic for lung fibrotic diseases including COVID-19 conditions,” concluded Mr. Gagnon.

	2022 \$	2021 \$
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	8,781,572	7,780,989
Trade receivables	3,540,557	2,092,842
Other receivables	75,958	45,850
Inventories (note 3)	1,745,351	1,644,893
Prepaid expenses and deposits	298,218	162,919
<b>Total Current Assets</b>	<b>14,441,656</b>	<b>11,727,493</b>
Non-Current Assets		
Investment tax credits receivable	766,629	766,629
Deposits	79,539	79,539
Licences (note 4)	14,810	15,551
Property and equipment (note 5)	17,218,956	17,499,774
Deferred tax assets	-	439,063
<b>Total Non-Current Assets</b>	<b>18,079,934</b>	<b>18,800,556</b>
<b>TOTAL ASSETS</b>	<b>32,521,590</b>	<b>30,528,049</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	556,695	682,057
Current portion of lease liabilities (note 6)	293,544	290,055
<b>Total Current Liabilities</b>	<b>850,239</b>	<b>972,112</b>
Non-Current Liabilities		
Long-term lease liabilities (note 6)	2,284,154	2,358,862
Deferred tax liabilities	178,560	-
<b>Total Non-Current Liabilities</b>	<b>2,462,714</b>	<b>2,358,862</b>
<b>TOTAL LIABILITIES</b>	<b>3,312,953</b>	<b>3,330,974</b>
Equity		
Share capital (note 7 (b))	16,557,975	16,557,401
Contributed surplus (note 7 (e))	4,695,390	4,680,690
Retained earnings	7,955,272	5,958,984
<b>Total Equity</b>	<b>29,208,637</b>	<b>27,197,075</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>32,521,590</b>	<b>30,528,049</b>

CEAPRO INC.

Condensed Interim Consolidated Statements of Net Income and Comprehensive Income

Unaudited

	2022 \$	2021 \$
Three Months Ended March 31,		
Revenue (note 13)	6,171,624	4,701,743
Cost of goods sold	2,217,015	2,443,800

Gross margin	3,954,609	2,257,943
Research and product development	355,281	816,847
General and administration	769,045	712,207
Sales and marketing	5,299	13,238
Finance costs (note 10)	88,035	93,910
Income from operations	2,736,949	621,741
Other expense (note 9)	123,038	106,865
Income before tax	2,613,911	514,876
Deferred income tax expense	617,623	-
Total net income and comprehensive income for the period	1,996,288	514,876
Net income per common share (note 16):		
Basic	0.03	0.01
Diluted	0.03	0.01
Weighted average number of common shares outstanding (note 16):		
Basic	77,686,576	77,651,031
Diluted	78,333,335	78,709,975

CEAPRO INC.  
Condensed Interim Consolidated Statements of Cash Flows  
Unaudited

Three Months Ended March 31,	2022 \$	2021 \$
<b>OPERATING ACTIVITIES</b>		
Net income for the period	1,996,288	514,876
Adjustments for items not involving cash		
Finance costs	33,035	36,166
Depreciation and amortization	462,456	468,153
Accretion	-	2,744
Deferred income tax expense	617,623	-
Share-based payments	14,914	3,742
	3,124,316	1,025,681
<b>CHANGES IN NON-CASH WORKING CAPITAL ITEMS</b>		
	(1,447,715 )	(887,290 )
Trade receivables		
Other receivables	(30,108 )	72,648
Inventories	(100,458 )	211,168
Prepaid expenses and deposits	(135,299 )	72,574
Accounts payable and accrued liabilities relating to operating activities	(77,608 )	(153,619 )
	(1,791,188 )	(684,519 )
Net income for the year adjusted for non-cash and working capital items	1,333,128	341,162
Interest paid	(33,035 )	(36,166 )
<b>CASH GENERATED FROM OPERATIONS</b>	1,300,093	304,996
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(180,897 )	(272,490 )
Accounts payable and accrued liabilities relating to investing activities	(47,754 )	(122,914 )
<b>CASH USED IN INVESTING ACTIVITIES</b>	(228,651 )	(395,404 )
<b>FINANCING ACTIVITIES</b>		
Stock options exercised	360	22,020
Repayment of lease liabilities	(71,219 )	(61,570 )

CASH USED IN FINANCING ACTIVITIES	(70,859)	(39,550)
Increase in cash and cash equivalents	1,000,583	(129,958)
Cash and cash equivalents at beginning of the period	7,780,989	5,369,029
Cash and cash equivalents at end of the period	8,781,572	5,239,071

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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Source: Ceapro Inc.