

August 24, 2022



Ceapro Inc. Reports Record 2022 Second Quarter and Six-Month Financial Results and Provides Corporate Update

- *Company boasts highest second quarter sales to date; Q2 2022 sales of \$5,500,000 vs \$4,409,000 in Q2 2021, a 25% increase*
- *YTD Sales increased 28% vs 2021 – \$11,672,000 vs \$9,110,000*
- *Income before tax of \$2,177,000 in Q2 2022 vs \$676,000 in Q2 2021*
- *YTD Income before tax increased 402% vs 2021 – \$4,790,000 vs \$1,191,000*
- *Pursued advanced development of delivery systems using PGX Technology*

EDMONTON, Alberta, Aug. 24, 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 second quarter and six months ended June 30, 2022.

“I could not be more excited for the future of Ceapro. With our very strong performance year to date, we are on track to achieve another solid year with double-digit growth. Progress continues on all fronts from production operations to research and development, allowing us to advance our pipeline while expanding our business model. We have learned a lot from our encouraging development work and studies and will continue to invest in research and development and remain focused on our pipeline. We are well positioned for the next steps in becoming a high-value life sciences company,” stated [Gilles Gagnon, M.Sc., MBA, President and CEO](#).

Corporate and Operational Highlights

Pipeline Development:

The Company’s focus is on avenanthramides, alginate, yeast beta glucan and new chemical complexes/delivery systems.

Avenanthramides

Formulation:

Production and preparation of the selected 30mg and 240mg pill formulation of the drug product was scaled-up in preparation of the clinical batches for a Phase 1 safety and

tolerability study. Stability studies are ongoing.

Clinical batches were manufactured, packaged and labeled in June 2022 by Corealis Inc. GMP Manufacturing Services.

Phase 1 Clinical Trial:

The clinical trial protocol completed with Montreal Heart Institute was further discussed with Health Canada for expansion into a Phase 1/ 2a to include a cohort of patients suffering from mild inflammation. A response from Health Canada for clearance to proceed with this study is expected in Q4 2022.

Alginate

- Pursued and fine-tuned the development of new PGX-dried chemical complexes with sodium alginate (SA) as a carrier. Emphasis put on thin strips of alginate/yeast beta glucan as a potential nutraceutical product with immune boosting properties.
- Announced publication of results for PGX-Processed Alginates in the Journal of CO2 Utilization. PGX Technology demonstrated that it could effectively dry, purify and increase the surface area of SA while producing a unique fibrous morphology that cannot be obtained by any other conventional drying method.
- Subsequent to quarter, announced publication of positive results for PGX-processed alginates impregnated with CoQ10 in *The Journal of Supercritical Fluids*. This publication confirms alginate as a carrier for other bioactives.
- Alginate-Co-Q10 is currently part of bioavailability studies at University of Alberta. Results are expected at the end of Q3 2022.

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. Several commercially available formulations of spray-dried YBG were further PGX processed and tested following the installation of a new piece of equipment. Promising results obtained showing that this new unit should enable the production of uniform particle sizes nearly independent of suppliers. The next step is to develop a processing sequence to ensure that the final PGX processed YBG meets not only particle size requirements and morphology, but also the targeted microbial load, composition, and immunological functions.
- In collaboration with research partners at McMaster University, the team prepared and shipped additional samples to advance the development of PGX processed YBG for drug delivery and potential treatment of lung fibrotic disease. Results from animal studies are being analyzed as part of a PhD thesis.
- Of interest, the size of PGX processed YBG particles (around 5 microns) would allow them to be “swallowable” by macrophages that would carry them to remote sites in the body. Thus, the loading of drugs onto PGX YBG is currently under further investigation,

since numerous research studies suggest that YBG cells being swallowed by macrophages could be utilized as “Trojan Horses” to carry bioactives (potentially CoQ10, antioxidants, pain killers or potent pharmaceutical drugs) into the body to the target tissue.

Technology:

- Pursued technical upgrades of PGX demo plant in Edmonton especially for the commercial scale up of an impregnation unit to produce chemical complexes mostly with alginate as a carrier for other bioactives like yeast beta glucan.
- Pursued engineering design for PGX processing commercial scale unit. Decision made to use a stepwise approach to ensure standardization of product specifications at each scale level from current 10 Liters to 50-100 Liters vessels. These scale-ups will be first conducted for food/nutraceuticals grade applications which should pave the way to advance key aspects of a pharma processing unit. More specifically, the strategic path is for the production of alginate and the development of YBG as an immune booster (nutraceutical) at first and secondly, as an inhalable therapeutic (pharmaceutical).
- Keynote presentation made by Dr. Bernhard Seifried at the 13th International Symposium on Supercritical Fluids in Montreal featuring the ability of the PGX Technology to generate novel bioaerogels, composites and bioactive delivery systems for nutraceuticals, drug delivery and wound healing.

Corporate:

- Appointed Mrs. Genevieve Foster, an accomplished lawyer, Corporate Director of Governance and businesswoman to the Company's Board of Directors.
- Pursued out-licensing discussions for PGX-processed new chemical complexes.

Subsequent to Quarter:

- Announced appointment of Ms. Sigrun Watson as Chief Revenue Officer. Ms. Watson is a recognized commercial leader with over 20 years of experience across diverse healthcare industries.
- Expanded collaborative research program with McMaster University to develop an inhalable immuno-therapeutic/prophylactic for COVID-19-induced lung fibrosis.
- Successfully completed audits conducted by two major customers at the Edmonton facility.

Financial Highlights for the Second Quarter and the Six-Month Period Ended June 30, 2022

- Total sales of \$5,500,000 for the second quarter of 2022 and \$11,672,000 for the first six months of 2022 compared to \$4,409,000 and \$9,110,000 for the comparative periods in 2021, respectively, representing increases of 25% and 28%. The increase in sales revenue for the six-month period ended June 30, 2022 was primarily driven by a 23% increase in the sale of avenanthramides and a 75% increase in the sale of beta

glucan.

- Income before tax of \$2,177,000 for the second quarter of 2022 and \$4,790,000 for the first six months of 2022 compared to \$676,000 and \$1,191,000 for the comparative periods in 2021.
- Net profit after tax of \$1,662,000 for the second quarter of 2022 and \$3,659,000 for the six-month of 2022 compared to \$676,000 and \$1,191,000 for the comparative periods in 2021.
- Cash flows generated from operations of \$3,958,000 for the first six months of 2022 vs \$2,433,000 in 2021.
- Positive working capital balance of \$16,189,000 as of June 30, 2022.
- Cash on hand of \$11,367,997 as of June 30, 2022.

“While we are very pleased with the strong financial results so far, proper planning and management of supply chain challenges will be key in securing success during this transformative year for Ceapro. With a strengthened management team, a renewed agreement with our long-time and committed partner, Symrise and with a solid and clean balance sheet and positive cash flows, we are in a position to financially support the projects that will enable the expansion to a new business model from a contract manufacturer/commodity company to a high-value, life science/biopharmaceutical company. More specifically, we are very enthusiastic for the many opportunities which we expect have the potential to drive significant value, including the Phase 1 clinical trial with our newly developed avenanthramides pill formulation, the development of new chemical complexes as potential delivery systems for bioactives with alginate as a carrier, 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 and the implementation of the intermediary scale level of the PGX processing unit in Edmonton,” concluded Mr. Gagnon.

CEAPRO INC.

Condensed Interim Consolidated Balance Sheets

Unaudited

	June 30, 2022 \$	December 31, 2021 \$
ASSETS		
Current Assets		
Cash and cash equivalents	11,367,997	7,780,989
Trade receivables	3,360,751	2,092,842
Other receivables	90,723	45,850
Inventories (note 3)	2,116,159	1,644,893
Prepaid expenses and deposits	169,978	162,919
Total Current Assets	17,105,608	11,727,493
Non-Current Assets		
Investment tax credits receivable	766,629	766,629
Deposits	79,539	79,539
Licences (note 4)	14,069	15,551
Property and equipment (note 5)	16,802,060	17,499,774
Deferred tax assets	-	439,063
Total Non-Current Assets	17,662,297	18,800,556

TOTAL ASSETS	34,767,905	30,528,049
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	613,721	682,057
Current portion of lease liabilities (note 6)	303,354	290,055
Total Current Liabilities	917,075	972,112
Non-Current Liabilities		
Long-term lease liabilities (note 6)	2,202,269	2,358,862
Deferred tax liabilities	692,843	-
Total Non-Current Liabilities	2,895,112	2,358,862
TOTAL LIABILITIES	3,812,187	3,330,974
Equity		
Share capital (note 7 (b))	16,657,044	16,557,401
Contributed surplus (note 7 (e))	4,681,131	4,680,690
Retained earnings	9,617,543	5,958,984
Total Equity	30,955,718	27,197,075
TOTAL LIABILITIES AND EQUITY	34,767,905	30,528,049

CEAPRO INC.

Condensed Interim Consolidated Statements of Net Income and Comprehensive Income

Unaudited

	Quarters Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue (note 13)	5,500,399	4,408,631	11,672,023	9,110,374
Cost of goods sold	1,861,064	1,770,153	4,078,079	4,213,953
Gross margin	3,639,335	2,638,478	7,593,944	4,896,421
Research and product development	543,924	830,511	899,205	1,647,358
General and administration	1,069,275	952,847	1,838,320	1,665,054
Sales and marketing	9,248	16,362	14,547	29,600
Finance costs (note 10)	32,175	38,344	120,210	132,254
Income from operations	1,984,713	800,414	4,721,662	1,422,155
Other (income) expense (note 9)	(191,841)	123,942	(68,803)	230,807
Income before tax	2,176,554	676,472	4,790,465	1,191,348
Deferred income tax expense	514,283	-	1,131,906	-
Total net income and comprehensive income for the period	1,662,271	676,472	3,658,559	1,191,348
Net income per common share (note 16):				
Basic	0.02	0.01	0.05	0.02
Diluted	0.02	0.01	0.05	0.02

Weighted average number of common shares outstanding (note 16):

Basic	77,734,865	77,673,832	77,710,854	77,662,495
Diluted	78,474,139	78,684,303	78,405,883	78,684,344

CEAPRO INC.

Condensed Interim Consolidated Statements of Cash Flows

Unaudited

Six Months Ended June 30,	2022 \$	2021 \$
OPERATING ACTIVITIES		
Net income for the period	3,658,559	1,191,348
Adjustments for items not involving cash		
Finance costs	65,210	71,662
Depreciation and amortization	939,191	937,356
Accretion	-	5,592
Deferred income tax expense	1,131,906	-
Share-based payments	39,924	6,828
	5,834,790	2,212,786
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	(1,267,909)	218,155
Other receivables	(44,873)	56,311
Inventories	(471,266)	41,916
Prepaid expenses and deposits	(7,059)	51,179
Accounts payable and accrued liabilities relating to operating activities	(20,582)	(75,337)
	(1,811,689)	292,224
	4,023,101	2,505,010
Net income for the year adjusted for non-cash and working capital items		
Interest paid	(65,210)	(71,662)
CASH GENERATED FROM OPERATIONS	3,957,891	2,433,348
INVESTING ACTIVITIES		
Purchase of property and equipment	(239,995)	(296,534)
Deposits relating to the purchase of equipment	-	(16,733)
Accounts payable and accrued liabilities relating to investing activities	(47,754)	(134,554)
CASH USED IN INVESTING ACTIVITIES	(287,749)	(447,821)
FINANCING ACTIVITIES		
Stock options exercised	60,160	25,620
Repayment of lease liabilities	(143,294)	(110,748)
CASH USED IN FINANCING ACTIVITIES	(83,134)	(85,128)
Increase in cash and cash equivalents	3,587,008	1,900,399
Cash and cash equivalents at beginning of the period	7,780,989	5,369,029
Cash and cash equivalents at end of the period	11,367,997	7,269,428

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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