

April 12, 2023



Ceapro Inc. Reports Record 2022 Financial Results and Operational Highlights

- 2022 marks Ceapro’s best performance in Company history with record sales of \$18,800,000 compared to \$17,200,000 for 2021, representing a 10% increase year over year*
- Net profit after tax of \$4,400,000 for the full year of 2022 compared to \$3,400,000 in 2021, a year over year increase of 31%*
- R&D activities focused on advancement toward avenanthramide Phase 1-2a clinical study, development of innovative delivery systems with new chemical complexes and processing yeast beta glucan for development as an immune booster and potential inhalable therapeutic for lung fibrotic diseases*
- Continued execution on strategic plans position Ceapro for a transformational year in 2023*

EDMONTON, Alberta, April 12, 2023 (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, 2022.

“We are very proud of the achievements made in 2022 across all fronts during a year marked by such uncertainties, and economic and operational challenges. We kicked off the year with the signing of a three-year renewable Supply and Distribution Agreement with leading global active ingredients provider, Symrise, which served as a major catalyst to our best ever financial performance year in the Company’s history. Our strong performance and execution, despite the challenges, was made possible by the hard work from our talented and dedicated team, our constant focus on financial discipline and value creation and the strong relationships we have built with our customers and partners. We are pleased to have reached several key milestones in 2022 that will help propel Ceapro into its next phase of growth as a biopharmaceutical company and believe we are well-positioned to continue building on that momentum,” stated [Gilles Gagnon, M.Sc., MBA, President and CEO](#) of Ceapro.

2022 Corporate and Operational Highlights

Pipeline Development

Avenanthramides:

Clinical Trial

- Protocol for Phase 1 safety and tolerability study with healthy volunteers completed with Montreal Heart Institute (MHI) and submitted to Health Canada which was subsequently accepted for expansion into a Phase 2a study including patients with mild inflammation.
- Received approval in December 2022 from Health Canada to commence a Phase 1-2a double-blind, placebo-controlled, randomized, adaptive, first-in-human clinical study to assess safety, tolerability, and pharmacokinetics of single and multiple ascending oral doses of avenanthramide. Up to 96 subjects may be included in the study and dosages will escalate from 30mg to 960mg according to response. Initial approval received from MHI's Ethics Committee to initiate patient recruitment. Phase 1 part of the study is expected to be completed by year end.

Formulation

- Production and preparation of the selected 30mg and 240mg pill formulation of the drug product for a Phase 1 study was scaled-up in preparation of the clinical batches that were manufactured, packaged and labeled in June 2022 by Corealis Inc. GMP Manufacturing Services ("Corealis"). Stabilities studies remain ongoing.
- In planning for an extension into a Phase 2a (subject to Phase 1 outcomes), Ceapro's R&D group manufactured sufficient additional GMP batches of avenanthramides active ingredient powder for a second formulation of avenanthramides pills. The second GMP clinical batches will also be manufactured, packaged and labeled by Corealis in 2023.

(Avenanthramides) Malted Technology

- Patent No. 408344 entitled, "*Method for Increasing Concentration of Avenanthramides in Oats,*" issued by The Indian Government Patent Office.

Alginate:

- Developed and fine-tuned new PGX-dried chemical complexes mostly using sodium alginate as a carrier. Emphasis put on thin strips of alginate/yeast beta glucan as a potential nutraceutical product with immune boosting properties.
- Published results for PGX-processed alginates in the *Journal of CO2 Utilization*.
- Published 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.
- Announced highly positive results for bioavailability studies using alginate and yeast beta glucan (YBG) as carriers for coenzyme Q10 (CoQ10). More specifically, results showed a statistically significant difference ($p < 0.02$) between the amount of CoQ10 absorbed from impregnated YBG compared to commercial standard formulations: two times higher absorption than Cyclodextrin/CoQ10 and four times higher absorption than triolein/CoQ10.

Yeast Beta Glucan (YBG)

- Analyzed and screened YBG feedstock from numerous global suppliers to select ideal sources for best possible product.
- Identified process conditions for YBG improving morphology of YBG-processed using PGX Technology (PGX-YBG) to boost immunomodulating activity. Progress achieved

for the pre-processing of YBG to ensure homogeneous dispersion and deagglomeration of polymers and batch-to-batch consistency.

- Obtained further evidence confirming that PGX-YBG is suitable for lung inhalation.
- Demonstrated *in vitro* that PGX processed YBG can prevent the activation of macrophages toward a pro-fibrotic phenotype which, according to experts in the field, is seen as a viable therapeutic strategy toward fibrotic disease.
 - PGX-YBG binds to specific receptors (Dectin 1) located on macrophages responsible for the cascade of immunomodulating events when activated.
 - McMaster's research team discovered a new mechanism of action as per PGX-YBG's ability to reprogram macrophages on its own.
 - Following this discovery, announced expansion of collaborative research program with McMaster University to develop an inhalable immuno-therapeutic/-prophylactic for COVID-19-induced lung fibrosis. Dr. Martin Kolb was confirmed as co-lead of this project along with Dr. Kjetil Ask and Dr. Todd Hoare. This project is supported by Mitacs.
 - Animal studies are ongoing. Go/No-Go decision for a Phase 1 trial is expected to be made during summer 2023.

Technology:

- Pursued technical upgrades of Ceapro's PGX demo plant in Edmonton focused on the commercial scale up of an impregnation unit to produce chemical complexes with alginate/YBG. Stability studies initiated for these new chemical entities.
- Pursued engineering design for PGX processing commercial scale unit. A decision was 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. Alginate and YBG would be the first products to be processed at large scale level. Given regulatory requirements and to accelerate market entry, YBG as a standalone and/or in combination with alginate will be developed at first as a nutraceutical/ immune booster.
- Announced the signing of an agreement with the University of Alberta to implement this mid-scale level PGX unit at Agri-Food-Discovery Place. Alginate and YBG will be the first bioactives to be processed at this facility. This work will be conducted with two specialized engineering firms, one from Europe with expertise in pharmaceutical plants and high-pressure equipment and a local engineering firm from Alberta who will facilitate installation and work with local regulatory agencies to comply with Canadian regulations and codes. Site and installation of PGX pilot unit expected to be completed by mid-2024.
- Continued projects with University of Alberta and McMaster University for the development of potential delivery systems for multiple applications in healthcare.

Bioprocessing Operations

- Ceapro's dedicated production team successfully responded to the growing market demand for the cosmeceutical base business by producing over 300 metric tons of active ingredients in 2022.
- Successfully passed audits conducted by three major customers at the Edmonton facility.
- Received renewal of the Site License from the Health Canada Natural Product

Directorate for a period of two years. This License enables the Company to manufacture, package, label, release and distribute final products.

Corporate

- Signed a Supply and Distribution Agreement with Symrise securing the long-term sustainability of Ceapro's base business.
- Appointed Mr. Ronnie Miller, former long-serving President & CEO of Roche Canada, to the Company's Board of Directors.
- Appointed Mrs. Genevieve Foster, an accomplished lawyer, Corporate Director of Governance and businesswoman, to the Company's Board of Directors.
- Appointed Ms. Sigrun Watson, a recognized commercial leader with over 20 years of experience, as Chief Revenue Officer.
- Conducted a strategic plan exercise based on three overarching Strategic Imperatives to create value for shareholders: (1) Diversify, secure and accelerate growth; (2) Prepare for commercialization of priority pipeline assets; and (3) Align company structure, culture, and processes to support accelerated growth and entry into new markets.

Subsequent to Year End

- Announced that data from the research collaboration with the Angiogenesis Foundation will be presented at the 2023 Annual Meeting of the Wound Healing American Society to be held April 26-29, 2023.
- Announced that data from the research collaboration with McMaster University will be presented at the 2023 American Thoracic Society (ATS) International Conference to be held May 19-24, 2023.

Financial Highlights for the Fourth Quarter and Full Year 2022 Ended December 31, 2022

- Total sales of \$3,322,000 for the fourth quarter of 2022 and \$18,840,000 for the full year of 2022 compared to \$3,562,000 and \$17,195,000 for the comparative periods in 2021. Revenue for the fourth quarter ended December 31, 2022, was lower than the comparative quarter in 2021 due to an overall decrease in sales volume of 29% compared to the prior quarter, which was due to lower sales of the Company's flagship products avenanthramides and beta glucan offset by an increase in sales of oat oil.
- Net loss of \$230,000 for the fourth quarter of 2022 and a net profit of \$4,398,000 for the full year of 2022 compared to a net profit of \$734,000 for the fourth quarter 2021 and a net profit of 3,365,000 for the full year 2021, a year over year increase of 31% for the full year 2022.
- Cash generated from operations of \$6,637,000, for the full year 2022 compared to \$3,510,000 in 2021.
- Positive working capital balance of \$18,487,000 as of December 31, 2022.

Comparative numbers shown for the year 2021 result from a restatement of the financial statements for the year 2021. The Company made this decision to restate the 2021 financial results in order to ensure that the valuation of inventory incorporates the costs of conversion more appropriately through the different stages of production for the multiple products produced at the new Edmonton facility. As detailed in note 3 of the financial statements, the

impact of this restatement did not change the calculated and reported \$0.04 earnings per share in 2021.

“With a record financial performance in 2022 yielding a strong balance sheet and further contributing to the building of a very solid foundation for Ceapro’s cosmeceuticals base business, the Company expects to continue to leverage on this base business to accelerate the development of new products and technologies like the planned Phase 1-2a clinical trial with avenanthramides, the scale-up of the PGX Technology for the development of YBG as an immune modulator and the commercial scale-up of a malting technology to enable the production and selling of enriched oat flour with high concentration of avenanthramides to serve some nutraceutical market segments. We expect to complete these projects using cash in hand and expected cash generated from operations throughout 2023 which we believe positions us for a pivotal year of proactive transformation of Ceapro to a biopharmaceutical company,” concluded Mr. Gagnon.

CEAPRO INC.
Consolidated Balance Sheets

	December 31, 2022	December 31, 2021 <i>Restated</i> <i>(note 3)</i>
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	13,810,998	7,780,989
Trade receivables	2,820,300	2,092,842
Other receivables	64,808	45,850
Inventories (note 4)	3,757,040	2,324,085
Prepaid expenses and deposits	135,133	162,919
Total Current Assets	20,588,279	12,406,685
Non-Current Assets		
Investment tax credits receivable	854,895	766,629
Deposits	76,954	79,539
Licences (note 5)	12,588	15,551
Property and equipment (note 6)	16,201,755	17,499,774
Deferred tax assets (note 13 (b))	-	282,849
Total Non-Current Assets	17,146,192	18,644,342
TOTAL ASSETS	37,734,471	31,051,027
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,730,377	682,057
Current portion of lease liabilities (note 7)	370,460	290,055
Total Current Liabilities	2,100,837	972,112
Non-Current Liabilities		
Long-term lease liabilities (note 7)	2,248,577	2,358,862
Deferred tax liabilities (note 13 (b))	1,095,968	-
Total Non-Current Liabilities	3,344,545	2,358,862

TOTAL LIABILITIES	5,445,382	3,330,974
Equity		
Share capital (note 8 (b))	16,694,625	16,557,401
Contributed surplus (note 8 (e))	4,714,404	4,680,690
Retained earnings	10,880,060	6,481,962
Total Equity	32,289,089	27,720,053
TOTAL LIABILITIES AND EQUITY	37,734,471	31,051,027

CEAPRO INC.
Consolidated Statements of Net Income and Comprehensive Income

Years Ended December 31,	2022	2021
	\$	<i>Restated</i> (note 3) \$
Revenue (note 15)	18,839,607	17,195,329
Cost of goods sold	7,821,908	6,727,699
Gross margin	11,017,699	10,467,630
Research and product development	1,788,666	3,878,247
General and administration	3,700,498	3,239,672
Sales and marketing	29,558	47,119
Finance costs (note 10)	184,967	206,891
Income from operations	5,314,010	3,095,701
Other income (note 11)	(462,905)	(202,281)
Income before tax	5,776,915	3,297,982
Income taxes		
Current tax expense (note 13(a))	-	215,376
Deferred tax expense (benefit) (note 13 (a))	1,378,817	(282,849)
Income tax expense (benefit)	1,378,817	(67,473)
Total net income and comprehensive income for the year	4,398,098	3,365,455
Net income per common share (note 20):		
Basic	0.06	0.04
Diluted	0.06	0.04
Weighted average number of common shares outstanding (note 20):		
Basic	77,961,714	77,673,804
Diluted	78,582,083	78,590,706

CEAPRO INC.

Consolidated Statements of Cash Flows

Years Ended December 31,	2022	2021 <i>Restated (note 3)</i>
	\$	\$
OPERATING ACTIVITIES		
Net income for the year	4,398,098	3,365,455
Adjustments for items not involving cash		
Finance costs	129,967	140,270
Depreciation and amortization	1,911,278	1,880,748
Gain on disposal of equipment	-	(5,000)
Accretion	-	11,621
Deferred income tax expense (benefit)	1,378,817	(282,849)
Share-based payments	89,648	17,906
	<u>7,907,808</u>	<u>5,128,151</u>
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	(727,458)	(73,119)
Other receivables	(18,958)	56,374
Investment tax credits receivable	(88,266)	(158,929)
Inventories	(1,432,955)	(1,114,006)
Prepaid expenses and deposits	30,371	111,044
Accounts payable and accrued liabilities relating to operating activities	1,096,074	(298,765)
	<u>(1,141,192)</u>	<u>(1,477,401)</u>
Net income for the year adjusted for non-cash and working capital items	6,766,616	3,650,750
Interest paid	(129,967)	(140,270)
CASH GENERATED FROM OPERATIONS	<u>6,636,649</u>	<u>3,510,480</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(341,067)	(708,903)
Proceeds from sale of equipment	-	5,000
Accounts payable and accrued liabilities relating to investing activities	(47,754)	(86,800)
CASH USED IN INVESTING ACTIVITIES	<u>(388,821)</u>	<u>(790,703)</u>
FINANCING ACTIVITIES		
Stock options exercised	81,290	26,725
Repayment of CAAP loan	-	(83,884)
Repayment of lease liabilities	(299,109)	(250,658)
CASH USED IN FINANCING ACTIVITIES	<u>(217,819)</u>	<u>(307,817)</u>
Increase in cash and cash equivalents	6,030,009	2,411,960
Cash and cash equivalents at beginning of the year	7,780,989	5,369,029
Cash and cash equivalents at end of the year	13,810,998	7,780,989

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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Source: Ceapro Inc.