

September 29, 2010



# Ceapro Provides Update to Shareholders

EDMONTON, ALBERTA -- (MARKET WIRE) -- 09/29/10 -- The following is a letter to shareholders from Ceapro.

Dear Shareholders:

Ceapro Inc. (TSX VENTURE: CZO) is entering a new phase of development; and as a follow-up to the discussions held at the last Annual General Meeting (AGM), we are pleased to report on our progress.

As you know, Ceapro has come a long way over the last two years. As a result of major improvements in operational efficiencies coupled with the elimination of corporate distractions, Ceapro is now developing a new business strategy to create significant shareholder value. Value creation through its new business model should be realized through:

- the development of a new sales and marketing strategy encompassing a mix of direct sales to customers and a network of preferred partnerships in selected territories;
- the offering of something new and innovative achievable through increased efforts in R&D to obtain new data to support claims, to develop a second generation of existing products through different formulations, and finally, to develop new products for the future. Licensing of new products will also be a key activity.

## SALES & MARKETING

On the development of a new sales strategy, we are pleased to report that our new distributor in Asia, East Hill Corporation, has placed its first order in Q3 and that our UK based partner, Oat Cosmetics, a subsidiary of Oat Services, has successfully developed many cosmetic formulations using Ceapro's new "all-natural" branded active ingredients. These formulations will provide potential customers with an immediate vehicle to assess our active ingredients. A visit to their website [www.oat.co.uk](http://www.oat.co.uk) will give you a good representation of the capabilities and impact of our exciting products.

To support Sales & Marketing and increase Ceapro's presence in the cosmetic industry, Ceapro has given several talks this year, including the presentation at the North American Oat Workers Association in Baton Rouge, Louisiana. We are also invited to speak at the Alberta Government's Cosmetic Industry Connects Forum in October in Edmonton as well as to present an evening lecture at the Society of Cosmetic Scientists (SCS) in London, England in November, followed by attending the SCS Formulate exposition in Coventry, England to support our UK distributors.

Regarding the implementation of a direct sales strategy, Ceapro's products are currently being scientifically evaluated with some major potential customers. Ceapro is also working with an American pharmaceutical company which has developed a range of over-the-counter products containing our active ingredients for the Middle East. These products have been clinically tested at various hospitals with small groups of individuals and have shown efficacy for a wide range of skin dermatoses. We anticipate receiving first orders in early 2011.

## RESEARCH & DEVELOPMENT

Much progress has been obtained from our Research & Development activities.

New Data:

Collaboration with the National Research Council (NRC)

The first Phase of the research project conducted at the National Research Council's Institute of Nutrascience & Health (NRC-INH) located in Charlottetown is well on track. As announced at the AGM, the goal of this project is to confirm mechanism(s) and further explore the physiological actions related to some properties of avenanthramides and Beta Glucan when used for skin care applications. Data from phase one will be obtained before year end.

Phase two of this project is planned to start during the fourth quarter of 2010 and a statement of work is currently being reviewed. In addition, to further demonstrate findings from the first phase, the goal of this second phase will be to assess new physiological skin properties associated with Ceapro ingredients and to find new mechanisms of action for avenanthramides to support new potential applications in cosmetics as well as to assess their potential development as nutraceuticals and/or pharmaceuticals.

We are grateful to the Atlantic Canada Opportunities Agency (ACOA) for a non-repayable contribution of \$50,000 and to Innovation PEI for a refundable contribution of up to \$100,000 in support of this project. With this project, Ceapro has leased laboratory space within the Industrial Partnership Facility at the NRC-INH and now has a permanent presence in Prince Edward Island. The infrastructure in Prince Edward Island and a renewed focus by the provincial government on biosciences conveyed through the Island Prosperity Strategy are well in line with Ceapro's business focus and growth plans.

Improvements to current manufacturing processes:

Ceapro is currently assessing the extraction of oat lipids and the production of highly purified avenanthramides from pre-treated oats. Ceapro is grateful to have been approved for a non-repayable contribution of up to \$99,900 in support of this project which is scheduled to be completed in the first quarter of 2011. One aspect of this project related to the continuous improvement of manufacturing processes has also started. Our goal is to develop a highly efficient extraction and purification process for avenanthramides which would significantly reduce production time while increasing overall yields and product purity.

A second project that will commence in October involves the use of a novel drying technology for Ceapro products developed at the University of Alberta. Ceapro is grateful to Alberta Ingenuity for a non-repayable contribution of \$124,000 over the next two years in

support of this project.

#### New Products:

##### Unique Spearmint product

The goal of this major project is to develop a unique variety of spearmint to extract rosmarinic acid and other phytochemicals. Ceapro has licensed this new variety of mint from the University of Guelph, exclusively for use in cosmeceutical, nutraceutical, and pharmaceutical applications.

This is a three phase project that should be completed within the next twenty-four months. It comprises three objectives: Multiplication of the new variety; evaluation of agronomic conditions in several locations across Canada; and development of prototype products to be evaluated for cosmeceutical applications. Year 1 is near completion. It consisted of cultivating mint plants in Alberta, Ontario, and Prince Edward Island. Plants were recently harvested and the outcome exceeds our expectations, especially in PEI where plants were harvested twice in a period of three months. The encouraging results in many locations will result in further agronomic assessment in 2011. This is important as it will potentially provide new opportunities for agricultural producers wanting to invest in niche crops and diversify away from commodity crops. The next phase will consist of extracting rosmarinic acid and other phytochemicals and analyzing the yield per location. This will be followed by purification and testing of several formulations containing rosmarinic acid to assess its potential as a natural preservative and as an ingredient to reduce inflammation to be used in cosmeceuticals, a huge market potential.

##### New Natural Lines

Ceapro has proactively developed a second generation of products by reformulating its existing lines to get approval for an "all natural" designation. We are in the process of obtaining such an internationally recognized certification which should give Ceapro a major competitive advantage in line with new market trends.

##### CeaProve.

A new more palatable standardized formulation has been developed and scaled up at commercial levels with our new European contract manufacturer. This will allow Ceapro and its partner(s) to have access to large scale production to meet mass market demand.

#### CORPORATE DEVELOPMENT

##### Licensing of new active ingredients

Ceapro is currently under discussions to license two novel technologies for active ingredients from two Universities. These compounds have been used as "traditional medicines". Ceapro is currently performing a due diligence review.

##### Alliances & partnerships

Ceapro is attracting a lot of attention from both the scientific community and potential corporate partners. Despite some approaches made by some of these companies, Ceapro

has not engaged in any M&A discussions given the promising prospects that we have just depicted in this letter.

Collaborations in both Alberta and Prince Edward Island are going very well and are much appreciated. We wish to thank all of our program supporters and collaborators for being very supportive for the achievement of common goals.

In summary, to make Ceapro a different and distinct innovative company, we have put in place a business plan where our goals will be reached through the re-engagement of R&D and capitalization on our strength as an exclusive innovator in the field of active ingredients. This will enable us to increase sales of current portfolio through increased market penetration, develop new products that our customers have told us they want, keep our technologies up to date and competitive in the world economy, and seek out the best strategic partners to accomplish growth faster.

At Ceapro, we are excited and encouraged by the prospects for the Company and look forward to be a leader in the development of active ingredients for the cosmetics market. Thank you all for your continued support. As we move ever closer to bringing our vision to reality, we anticipate realizing rewards from the great potential of the Ceapro technology.

Yours truly,

CEAPRO INC.

Gilles R. Gagnon, Acting CEO and President

About Ceapro Inc.

Ceapro Inc. is a Canadian growth-stage biotechnology company. Primary business activities relate to the development and commercialization of active ingredients for personal care and cosmetic industries using proprietary technology and natural, renewable resources. The commercial line of natural active ingredients include beta glucan, avenanthamides (colloidal oat extract), oat powder, oat oil, oat peptides, and lupin peptides.

To learn more about Ceapro, visit [www.ceapro.com](http://www.ceapro.com)

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