

November 29, 2012



# Ceapro Provides a Corporate Update and Reports Third Quarter 2012 Financial Results

EDMONTON, ALBERTA -- (Marketwire) -- 11/29/12 -- Ceapro Inc. (TSX VENTURE: CZO) ("Ceapro" or the Company") today released a corporate update and its financial results for the three-month and nine-month periods ended September 30, 2012.

## CORPORATE UPDATE

### Bioprocessing Centre of Excellence

After one year of thoroughly investigating several options for manufacturing, including outsourcing, Ceapro has initiated plans to develop a 20,000 square foot combined head office and manufacturing facility in an existing building in Edmonton. A lease agreement and detailed engineering drawings are being finalized and construction is planned to commence in January 2013. We are grateful to the Government of Alberta who have extended our current lease at the Leduc based Agrivalue Processing Business Incubator (APBI) location to December 31, 2013 to allow for a smooth transition into this new facility, which we envision to become an Alberta Bioprocessing Centre of Excellence.

During the last year it has become apparent that Ceapro has a strong suite of proprietary manufacturing technologies which are capable of producing strong margins, but this strength and value has never been recognized because of the limitations of working in an incubator facility and the fact the technology has only been applied to existing Ceapro products, which have been the centre of market attention. As we move into the new facility we expect to not only manufacture our own products and pipeline under development, but to be able to manufacture for other clients. We have not been able to entertain and exploit these queries in the past but they represent an opportunity for growth. Ceapro anticipates additional synergies and cost savings from being able to have the entire company at one location.

"The implementation of this new state of the art facility is our top priority for 2013 and we are very excited about the growth prospects this bioprocessing center will represent", said Gilles Gagnon, President and CEO "This will be good for Ceapro, the province of Alberta, and Canada as we introduce our innovative manufacturing to the global market. We again wish to thank Alberta Innovates- Bio Solutions for their contribution of up to \$1.6 million which will help to make this project a reality", he added

Additional information updates on the facility will be provided as we progress through 2013.

Products portfolio/ Technologies

## Avenanthramides

Avenanthramides are Ceapro's flagship product. Ceapro is the only current commercial manufacturer of avenanthramides in the world. These are very potent anti-inflammatory and anti-histamine compounds that are highly active in very small concentrations. The relative scarcity of available material to produce these compounds has so far limited our markets to personal care and cosmetic applications. However new technologies that Ceapro has previously announced and licensed from Agriculture and Agri-Food Canada (AAFC), represent a game changer for accessing other markets potential including medicinal food, nutraceuticals, and botanical drugs. Ceapro is working on all parts of its value chain to ensure it will be the dominant company for this product. With respect to feedstock, Ceapro in-licensed a new variety of Canadian oats from AAFC and in the first year the seed has already been multiplied up to multi-tonne quantities. We anticipate multiplying the crop further in the 2013 crop year at multiple locations in Canada.

To date our trials using the seed and the malting technology previously licensed from AAFC and announced in May have shown significant increases in avenanthramide concentrations in the seed. Concentrations produced to date are far in excess of our best typical feedstock concentrations which suggest there will be large increases in extraction efficiencies.

The high concentrations of avenanthramides noted to date have allowed Ceapro to produce new product prototypes that are highly purified and concentrated. These new extracts will be evaluated for their efficacy in early 2013 to determine the therapeutic benefits they provide. Of particular interest, Ceapro believes it will be able to launch a new oil soluble product as a result of these advances and this product would be welcomed by the marketplace. Manufacturing of these new products will be made possible in the new facility due to implementation of improved processes and expanded space and capacity.

As we previously noted, the advances we have made in technology will allow us to consider new market areas for avenanthramides, namely the food, nutraceutical, and botanical markets in addition to potential new products. The avenanthramide story is still relatively new and Ceapro is truly the world leader in these little known but very powerful molecules. The combination of Ceapro's manufacturing and commercialization expertise along with the new technologies licensed from AAFC are expected to make avenanthramides a global, made in Canada success story.

## Supercritical Fluid Drying Technology

During 2012, Ceapro was able to successfully scale up this in-licensed technology. In the summer, three one kilogram batches of highly purified beta glucan were successfully produced and sent to a major potential customer for evaluation. While the work done to date has been with Ceapro's beta glucan, it is believed this platform could accommodate several other compounds and could offer a drying solution for temperature sensitive compounds. The work in 2012 proved the technology was flexible to produce products in several different forms from microfibrils, to fine powder, to larger pellets. Work confirmed that the beta glucan retained its high molecular weight, viscosity, and solubilisation properties which suggest this could be a solution for difficult drying solutions.

Ceapro's current plans in 2013 include evaluating the technology on other compounds as well as scaling up to a commercial size. It is expected that several further automation steps

will be tested to improve the efficiencies. A North American based company that has commercial scale equipment to run the 2013 program has been identified.

This project has required a lot of detailed in-house design by Ceapro engineers and custom manufacturing of parts and equipment as this technology is completely novel. To date this project has progressed very smoothly and all milestones have been successfully met. This technology could be incorporated into the new Ceapro facility planned as well as out-licensed to other parties who may want to utilize it for their own products.

### Spearmint

The 2012 season has been completed- weather challenges were present in 2012 with one test location experiencing flooding and another experiencing drought conditions for much of the year. The necessity of diversifying crop risk geographically was well illustrated in 2012. The largest site at the AAFC Harrington station was doubled in size in 2012. Work in 2012 included not only expanding the crop but also determining a proper drying solution that preserves the active ingredients. A drying technology installed at Harrington proved to be a good candidate for the spearmint as a result of drying trials conducted.

A clinical trial is currently being conducted by the University of Guelph utilizing the spearmint variety as a tea to assess therapeutic benefits for osteoarthritis of the knee in otherwise healthy patients. Ceapro understands this trial is expected to be completed in the near term and results of this trial could be very exciting for Ceapro and the University of Guelph, from whom Ceapro in-licensed this unique variety. Ceapro's own work has shown that it was able to extract the active ingredients very effectively using a tea steeping process and that the active ingredients are confirmed to be at much higher concentrations than other mint teas.

In addition to potential as a spearmint tea, Ceapro has noted interest from the equine industry and will evaluate prototype extracts for the personal care industry.

### Botanical preservative

Commercial cosmetics and food products are typically loaded with preservatives to allow them to stand during the long span between the time of manufacture and the time the customer finishes using it. Since it is well known that the use of synthetic preservatives may cause or promote serious skin problems, there is a desperate need in the cosmetic industry to develop a natural preservative for people with sensitive skin.

Ceapro has recently hired an expert in this field from Europe who will be fully dedicated on the potential development of such a natural preservative. The successful development of such product would open a huge market for Ceapro.

### FINANCIAL RESULTS FOR THE THIRD QUARTER AND THE FIRST NINE MONTHS ENDED SEPTEMBER 30, 2012

Revenues were \$1,283,000 for the three-month period ended September 30, 2012, as compared to \$1,515,000 for the same period in 2011. For the first nine months, revenues were \$3,963,000 in 2012 compared to \$4,234,000 for the same period in 2011. Revenues were negatively impacted by a decrease in beta glucan sales which are made mostly to Europe where the economic downturn has been severe in many countries. Sales of

Ceapro's flagship product, avenanthramides, continue to grow.

Research and development Investments were \$297,000 and \$727,000 for the three-month period and nine-month period ended September 30, 2012 as compared to \$339,000 and \$755,000 for the same periods in 2011. These investments reflect our continued strong commitment to expand our pipeline and position Ceapro as a highly recognized innovative Company. Ceapro recently secured additional grant and contribution funding totalling \$377,000 to support certain research and development activities from Q4 2012 into 2014.

General and Administration expenses were \$431,000 and \$1,313,000 for the three-month period and nine-month period ended September 30, 2012 compared to \$324,000 and \$993,000 for the same periods in 2011. These respective increases of \$107,000 and \$320,000 in 2012 as compared to 2011 are the result of increased salaries and consulting engineer fees related to feasibility studies to review new manufacturing options, hiring of an Investor relations firm and significant legal costs incurred due to a legal action initiated against Ceapro by AVAC Ltd.

Sales and Marketing expenses were \$33,000 and \$159,000 for the three-month and Nine-month period ended September 30, 2012 compared to \$21,000 and \$85,000 for the same periods in 2011. These increases reflect the costs incurred for an assessment of marketing strategies and for a branding evaluation project including a review of the website. Ceapro has also attended the major global cosmetic and personal care conferences as well as the major bio-industrial conferences, an area where Ceapro's expertise has been well regarded.

Net income/loss. For the three-month period ended September 30, 2012, net loss was \$137,000 versus a net loss of \$107,000 for the same period in 2011. For the first nine-months of 2012, Net loss amounted to \$301,000 compared to a net profit of \$325,000 for the same period in 2011. These losses are attributed to a decrease in gross margin due to the mix of products sold, increased general and administration and increased sales and marketing expenses.

"While our sales have been impacted by the economic situation in Europe in 2012, we remain very confident for the mid to long term given our current strong order book." said Gilles Gagnon, President and CEO. "Due to the current size of Ceapro, the timing of customer orders can vary greatly by quarter and have a volatile effect on quarterly results. We believe Ceapro's operational growth is better evaluated over a longer period of time than one quarter. Our top priority is to graduate our manufacturing from our current location, the APBI in Leduc Alberta. The new facility will allow us to grow faster as we can manufacture new products- both our own and for third parties. We are also starting to see serious interest in our technologies from new market sectors and this bodes well for our future", added Mr. Gagnon.

The complete financial statements are available for review on SEDAR at <http://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 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. To learn

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

CEAPRO INC.

Consolidated Statements of Net Income (loss) and Comprehensive Income (loss)  
Unaudited

	Quarters Ended September		Nine Months Ended	
	2012	30, 2011	September 30, 2012	2011
	\$	\$	\$	\$
		(restated, note 18)		(restated, note 18)
Revenue	1,283,167	1,515,096	3,962,811	4,234,179
Cost of goods sold	609,261	886,681	1,947,172	1,903,748
Gross margin	673,906	628,415	2,015,639	2,330,431
Research and product development	297,087	339,244	726,701	754,918
General and administration	431,064	323,911	1,312,557	993,167
Sales and marketing	32,649	21,116	159,083	85,226
Finance costs (note 12)	24,713	44,088	76,263	139,424
Income (loss) from operations	(111,607)	(99,944)	(258,965)	357,696
Other operating loss (note 11)	24,953	7,878	41,657	31,975
Net income (loss) and comprehensive income (loss) for the period	(136,560)	(107,822)	(300,622)	325,721
Net income (loss) per common share:				
Basic	(0.00)	(0.00)	(0.00)	0.01
Diluted	(0.00)	(0.00)	(0.00)	0.01
Weighted average number of common shares outstanding	60,278,948	56,578,948	60,278,948	56,555,638

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