

April 16, 2020



Ceapro Inc. Reports Fourth Quarter and Full Year 2019 Results and Highlights

2019 marked by Company's progression as a development-stage biopharmaceutical company dedicated to innovation

EDMONTON, Alberta, April 16, 2020 (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, 2019.

“Over the course of 2019, in addition to having delivered another solid year with our base business serving the cosmeceutical sector, Ceapro took the strategic steps to maintain our vision to transition to a new business model from a contract manufacturer to a biopharmaceutical company offering innovative products and delivery systems to the nutraceutical and biopharmaceuticals sectors. To achieve this vision, our team continues to work diligently to utilize our proprietary technologies and innovate new formulations. As part of new product development, we are developing formulations that potentially allow delivery of bioactives through different modes of administration, including oral, topical, sub-lingual, and intranasally,” stated [Gilles Gagnon, M.Sc., MBA, President and CEO](#), of Ceapro. “We are advancing the development of these topical/transdermal delivery systems using our proprietary new chemical complexes developed leveraging our PGX technology and will also implement some of them in our existing line of Juvente cosmeceutical products.”

2019 Corporate and Operational Highlights:

Pipeline Development:

- Demonstrated and presented the versatility of PGX technology to simultaneously dry, purify, micronize and functionalize proteins, peptides, and polysaccharides to generate highly potent and sought-after bioactive delivery systems. Used the PGX technology to make fibrous structure that were successfully tested in wound healing applications. Developed at the pilot scale PGX processed materials for assessment by potential commercial partners.
- Presented positive results for avenanthramides at the 2019 American College of Sports Medicine Annual Meeting on May 31, 2019 in Orlando, FL. Results from bio-efficacy study with avenanthramides in exercise induced inflammation support anti-inflammatory claim for avenanthramides as a food supplement.
- Pursued enrollment and randomization of patients for the pilot clinical trial evaluating

beta glucan as a potential cholesterol reducer.

- Continued to monitor stability studies for liquid beta glucan and avenanthramides produced at the new manufacturing site as well as for the pharmaceutical-grade dry powder formulation of avenanthramides to be used in a human bioavailability study.
- Presented positive key findings from PGX technology at two international scientific conferences: the Iberoamerican Conference on Supercritical Fluids held in Brazil from September 2-6, 2019, and the [Symposium on Pharmaceutical Engineering Research](#) (SPhERe) held in Germany from September 25-27, 2019.
- Announced positive key findings from three oral presentations given at European Meeting on Supercritical Fluids held in Spain from April 12-14, 2019.

Technology:

- Received patent issuance, with protection until March 2030, in Europe and the U.S. for a technology to increase concentration of avenanthramides in oats.
- Advanced research and development efforts to pursue the development of new PGX-dried chemical complexes for potential applications under various forms like pills, capsules, fast dissolving strips and face masks.
- Granted patent for PGX technology in India, which represents a very large potential market with numerous contract manufacturers in the pharmaceutical industry that Ceapro believes could benefit from our PGX technology.
- Performed technical upgrades of PGX Demo plant.
- Conducted a technical assessment of available equipment in Europe and North America and evaluating locations for a future commercial scale-up of the PGX technology. PGX strategy to be unveiled by mid-year 2020.
- Advanced research collaboration projects with the University of Alberta and McMaster University for the impregnation of various bioactives using PGX-processed dry beta glucan, gum arabic and alginate as potential delivery systems for multiple applications in healthcare.
- Advanced conversations with interested potential partners to out-license applications developed using Ceapro's innovative technology.
- Launched several new formulations for the [Juvente](#) line of finished cosmeceutical products.

Bioprocessing Operations:

- Successfully passed audits with additional key major customers for the Edmonton based manufacturing facility which complies with international quality systems regulations.

Corporate:

- Announced financial contribution agreement with National Research Council of Canada.
- Received a research funding award from Canadian Institutes for Health Research (CIHR) in partnership with the Natural Sciences and Engineering Research Council of Canada (NSERC) to Ceapro Inc. and McMaster University for development of drug delivery systems using PGX technology.
- Announced the listing of Ceapro's shares for trading on the OTCQX[®] Best Market, a U.S. market, under the ticker OTCQX: CRPOF. Shares are DTC eligible fast coded.
- Participated in trade missions showcasing Ceapro's products and technologies in France, Germany and Spain.

Subsequent to Year End:

- Received approval from Health Canada to amend human clinical study protocol assessing beta glucan as a cholesterol-lowering single agent or as add-on therapy to statins. Approvals for this modification received from Ethics committees of all research centers (11) involved in this pan Canadian study. This is Ceapro's first clinical trial with a proprietary, pharmaceutical grade product.
- Received approval from Health Canada Controlled Substances and Cannabis Branch for a research license with medical cannabis for the formulation of unique solid cannabinoid delivery systems using PGX technology.
- Published Results from a collaborative project with University of Alberta researchers in [Journal of Supercritical Fluids](#) in an article titled "[Preparation of PGX-dried gum arabic and its loading with coQ10 by adsorptive precipitation.](#)"

"Moving forward, we are deploying strategic efforts to expand and optimize our sales through our distribution network and mostly through direct marketing and sales activities. We also remain very active in business development activities for out-licensing selective Ceapro products and continue to advance conversations with potential partners," commented Mr. Gagnon. "Additionally, we'd like to note that amidst the COVID-19 health pandemic, the Company's business has not been impacted to date and we have worked hard to mitigate any potential supply chain disruptions to ensure we can reliably continue to offer our high-quality products throughout the pandemic and even beyond. The safety and health of our employees is a top priority and as such, we have instituted additional preventive measures to ensure the highest level of safety while maintaining our operations. We are incredibly grateful to our dedicated employees who are working tirelessly."

Financial Highlights for the Fourth Quarter and the Full Year 2019 Ended December 31, 2019

- Total sales of \$3,721,000 for the fourth quarter of 2019 and \$12,880,000 for the full year of 2019 compared to \$4,467,000 and \$11,593,000 for the comparative periods in 2018. The 11% increase of sales for the full year 2019 results from an 86% increase of beta glucan (mostly made to China) partially offset by an 8% decrease in avenanthramides. For the fourth quarter 2019, sales of beta glucan increased by 242%

while avenanthramides sales decreased by 34% as compared to Q4, 2018 which was the highest quarter in Ceapro's history.

- Net profit of \$166,000 for the fourth quarter of 2019 and a net loss of \$1,133,000 for the full year of 2019 compared to a net profit of \$444,000 and a net loss of \$316,000 for the comparative periods in 2018. Excluding non-cash items like depreciation (\$1,830,000 in 2019 vs \$579,000 in 2018), net adjusted operating results show a profit of \$1,113,600 in 2019 vs a loss of \$6,600 in 2018.
- Cash generated from operations of \$882,000 for the full year 2019 vs cash used in operations of \$2,100,000 for the full year 2018; an improvement of \$3,000,000 in 2019.
- Positive working capital balance of \$4,670,000 as of December 31, 2019.

"In conclusion, I strongly believe 2020 holds a lot of opportunity for Ceapro. Based on a very solid foundation, a highly competent team, a healthy balance sheet and a very strong technology and product portfolio with the potential to access key large markets, I believe we have all the key components for success," concluded Mr. Gagnon.

CEAPRO INC.

Consolidated Balance Sheets

| | December 31, 2019 \$ | December 31, 2018 \$ |
|-----------------------------------|-------------------------------|-------------------------------|
| <hr/> | | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 1,857,195 | 1,844,134 |
| Trade receivables | 3,659,541 | 3,015,344 |
| Other receivables | 46,812 | 46,899 |
| Inventories (note 4) | 669,005 | 710,708 |
| Prepaid expenses and deposits | 178,908 | 518,219 |
| | <hr/> | <hr/> |
| | 6,411,461 | 6,135,304 |
| <hr/> | | |
| Non-Current Assets | | |
| Investment tax credits receivable | 607,700 | 607,700 |
| Deposits | 85,755 | 88,340 |
| Licences (note 5) | 21,477 | 24,440 |
| Property and equipment (note 6) | 19,764,122 | 17,947,967 |
| Deferred tax assets (note 17 (b)) | 378,643 | 520,872 |
| | <hr/> | <hr/> |
| | 20,857,697 | 19,189,319 |
| | <hr/> | |

| | | |
|--|------------|------------|
| TOTAL ASSETS | 27,269,158 | 25,324,623 |
| <hr/> | | |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 1,291,204 | 949,878 |
| Current portion of long-term debt (note 9) | 111,865 | 336,956 |
| Current portion of lease liabilities (note 10) | 265,123 | - |
| Current portion of CAAP loan (note 12) | 72,942 | 72,942 |
| | <hr/> | <hr/> |
| | 1,741,134 | 1,359,776 |
| Non-Current Liabilities | | |
| Long-term debt (note 9) | - | 110,350 |
| Long-term lease liabilities (note 10) | 2,775,627 | - |
| CAAP loan (note 12) | 61,580 | 115,216 |
| Deferred tax liabilities (note 17 (b)) | 378,643 | 524,280 |
| | <hr/> | <hr/> |
| | 3,215,850 | 749,846 |
| TOTAL LIABILITIES | <hr/> | <hr/> |
| | 4,956,984 | 2,109,622 |
| Equity | | |
| Share capital (note 11 (b)) | 16,401,677 | 16,320,522 |
| Contributed surplus (note 11 (e)) | 4,650,090 | 4,501,444 |
| Retained earnings | 1,260,407 | 2,393,035 |
| | <hr/> | <hr/> |
| | 22,312,174 | 23,215,001 |
| TOTAL LIABILITIES AND EQUITY | <hr/> | <hr/> |
| | 27,269,158 | 25,324,623 |

CEAPRO INC.

Consolidated Statements of Net Loss and Comprehensive Loss

| | 2019 | 2018 |
|-------------------------|------------|------------|
| Year Ended December 31, | \$ | \$ |
| Revenue (note 19) | 12,880,006 | 11,592,666 |
| Cost of goods sold | 7,434,654 | 5,454,468 |
| | <hr/> | <hr/> |
| Gross margin | 5,445,352 | 6,138,198 |

| | | |
|---|-------------|-------------|
| Research and product development | 2,393,607 | 2,665,838 |
| General and administration | 2,952,488 | 3,000,005 |
| Sales and marketing | 425,230 | 225,549 |
| Finance costs (note 15) | 260,684 | 118,728 |
| <hr/> | | |
| (Loss) income from operations | (586,657) | 128,078 |
| Other expenses (note 14) | (549,379) | (1,123,061) |
| Impairment of intangible assets (note 7) | - | (430,533) |
| Impairment of goodwill (note 8) | - | (218,606) |
| Gain on settlement of royalty provisions (note 18 (c)) | - | 722,895 |
| <hr/> | | |
| Loss before tax | (1,136,036) | (921,227) |
| Income taxes | | |
| Current tax recovery | - | 4,263 |
| Deferred tax benefit | 3,408 | 601,427 |
| <hr/> | | |
| Income tax benefit (note 17 (a)) | 3,408 | 605,690 |
| <hr/> | | |
| Total comprehensive loss for the year | (1,132,628) | (315,537) |
| <hr/> | | |
| Net loss per common share (note 24): | | |
| Basic | (0.01) | (0.00) |
| Diluted | (0.01) | (0.00) |
| <hr/> | | |
| Weighted average number of common shares outstanding (note 24): | | |
| Basic | 77,188,505 | 76,201,191 |
| Diluted | 77,188,505 | 76,201,191 |
| <hr/> | | |

CEAPRO INC.
Consolidated Statements of Cash Flows

| Year Ended December 31, | 2019 | 2018 |
|---|-------------|-----------|
| | \$ | \$ |
| <hr/> | | |
| OPERATING ACTIVITIES | | |
| Net loss for the year adjusted for non-cash and working capital items | (1,132,628) | (315,537) |
| Adjustments for items not involving cash | | |
| Finance costs | 171,249 | 10,370 |
| Transaction costs | 4,187 | 15,682 |

| | | |
|--|------------------|--------------------|
| Depreciation and amortization | 1,831,744 | 578,603 |
| Foreign exchange (gain) loss on long-term debt | (307) | 5,211 |
| Accretion | 30,248 | 37,676 |
| Deferred tax benefit | (3,408) | (601,427) |
| Share-based payments | 212,517 | 336,589 |
| Impairment of intangible assets | - | 430,533 |
| Impairment of goodwill | - | 218,606 |
| Gain on settlement of royalty provisions | - | (722,895) |
| Net loss for the year adjusted for non-cash items | 1,113,602 | (6,589) |
| CHANGES IN NON-CASH WORKING CAPITAL ITEMS | | |
| Trade receivables | (644,197) | (1,768,931) |
| Other receivables | 87 | 166,613 |
| Inventories | 41,703 | 374,680 |
| Prepaid expenses and deposits | 154,106 | (163,940) |
| Royalty provisions | - | (780,741) |
| Accounts payable and accrued liabilities relating to operating activities | 388,064 | 97,345 |
| Total changes in non-cash working capital items | (60,237) | (2,074,974) |
| Net loss for the year adjusted for non-cash and working capital items | 1,053,365 | (2,081,563) |
| Interest paid | (171,249) | (40,567) |
| CASH GENERATED FROM (USED IN) OPERATIONS | 882,116 | (2,122,130) |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (332,186) | (1,092,744) |
| Purchase of leasehold improvements | (6,007) | (85,148) |
| Deposits relating to investment in equipment | 187,790 | (77,203) |
| Accounts payable and accrued liabilities relating to investing activities | (46,738) | (127,093) |
| CASH USED IN INVESTING ACTIVITIES | (197,141) | (1,382,188) |
| FINANCING ACTIVITIES | | |
| Stock options exercised | 17,284 | - |
| Repayment of long-term debt | (339,321) | (865,080) |
| Repayment of CAAP loan | (83,884) | (83,884) |
| Repayment of lease liabilities | (265,993) | - |
| Grant used for purchase of leaseholds, property and equipment | - | 123,521 |
| CASH USED IN FINANCING ACTIVITIES | (671,914) | (825,443) |
| Increase (decrease) in cash and cash equivalents | 13,061 | (4,329,761) |
| Cash and cash equivalents at beginning of the year | 1,844,134 | 6,173,895 |
| Cash and cash equivalents at end of the year | 1,857,195 | 1,844,134 |

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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