

April 11, 2019



# Ceapro Inc. Reports Fourth Quarter and Full Year 2018 Results and Highlights

*– 2018 marked by Company's catalytic pivot from contract manufacturer to biopharmaceutical company and validation of Ceapro's dedication to innovation –*

EDMONTON, Alberta, April 11, 2019 (GLOBE NEWSWIRE) -- [Ceapro Inc. \(TSX-V: CZO\)](#) (“**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, 2018.

## **2018 Corporate and Operational Highlights:**

### **Innovation**

#### ***Pipeline Development:***

- Signed a Master Service Agreement with prestigious Montreal Heart Institute for Ceapro's clinical program;
- Filed a Clinical Trial Agreement and received approval from Health Canada to commence human clinical study assessing beta glucan as a cholesterol-lowering agent. Eleven (11) research centers will be involved in this pan Canadian study. All approvals from their respective Ethics boards have been received and the study is ready for enrollment. This is Ceapro's first clinical trial with a proprietary, pharmaceutical-grade product;
- Positive results obtained from bioavailability study with new water-soluble chemical complex of oat beta glucan impregnated with Co-enzyme Q10 (CoQ10-iBG);
- Published data from the functional drink formulation (CoQ10-iBG) in Journal of Nutrition; and
- Completed bio-efficacy study assessing anti-inflammatory properties of avenanthramides in exercise induced inflammation. Data presented at the Nutrition 2018 Conference held in Boston. Additional data on the immunoregulatory mechanism of action of avenanthramides to be presented at the 2019 American College of Sports Medicine Annual Meeting on May 31, 2019 in Orlando, FL.

### **Technology:**

- Advanced the Technical Readiness Level (TRL) of Ceapro's game-changing Pressurized Gas eXpanded (PGX) Technology reaching demo scale and performed the groundwork necessary to integrate the system in large commercial scale;
- Presented PGX enabling technology case study at various international scientific conferences;
- Granted patent for PGX technology in Europe. Several companies have already shown some keen interest in working with Ceapro for the PGX processing of their material;
- Developed and presented several new PGX-dried chemical complexes like CoQ10-iBG, sodium alginate and Gum Arabic impregnated with CoQ10 (CoQ10-iGA) confirming the versatility of the PGX technology and the potential to develop significant bioactives delivery systems;
- Received the 2018 Award for “Most Innovative Raw Material” at Cosmetics 360 Salon in Paris, recognizing the potential of Ceapro's new chemical entity CoQ10-iBG for various applications in cosmeceuticals and personal care;
- Advanced research projects with the University of Alberta and McMaster University for the impregnation of various bio actives using PGX-processed dry beta glucan and numerous other biopolymers as potential delivery systems for multiple applications in healthcare and personal care;
- Presented three abstracts at the International Symposium on Supercritical Fluids held in Spain from April 8-11, 2019;
- Published six scientific articles in peer reviewed journals along with researchers from University of Alberta and McMaster University; and
- Successfully completed a research project in collaboration with two German Fraunhofer Institutes, a German SME focusing on membrane systems (A. Junghans) and the University of Alberta developing cutting edge novel separation membranes for dehydration of ethanol and potential applications for bioactive separations for the PGX Technology.

**Bioprocessing Operations:**

- Announced the completion of successful audits from key major customers for the new Edmonton-based facility which fully complies with recognized international quality systems. First orders shipped from Edmonton Plant in December 2018.

**Legal:**

- Announced the settlement of royalty provisions with AVAC Ltd.

**Marketing & Sales:**

- Launched a new website and increased visibility of Ceapro on social media; and
- Achieved the highest quarterly sales in the history of Ceapro while shipping from two sites in the fourth quarter of 2018.

**Subsequent to Year End:**

- 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;
- Recruited and appointed top talent for key management positions; and
- Completed the dossier for uplisting Ceapro to a U.S. Exchange.

“2018 was marked by tremendous advancements on many fronts and I believe we have a solid foundation established for growth. We will continue to leverage our cosmeceuticals base business allowing the Company to pursue the transition to a new business model from a contract manufacturer to a biopharmaceutical company involved in nutraceuticals and pharmaceuticals. As part of new product development, Ceapro will develop formulations potentially allowing delivery of bioactives through different modes of administration, including oral, topical, sub-lingual, and intranasally. The Juvente line of products will mostly be used for the development of topical/transdermal delivery systems using Ceapro’s proprietary new chemical complexes developed leveraging our PGX technology,” stated [Gilles Gagnon, M.Sc., MBA, President and CEO](#), of Ceapro.

**Financial Highlights for the Fourth Quarter and the Full Year 2018 Ended December 31, 2018**

- Total sales of \$4,467,000 for the fourth quarter of 2018 and \$11,593,000 for the full year of 2018 compared to \$2,969,000 and \$12,926,000 for the comparative periods in 2017. While sales of avenanthramides increased by 52% in Q4 2018 vs Q4, 2017, they remained lower than the previous year by 16% for the full year of 2018 compared to the previous year. Beta glucan sales improved by 23% in 2018 vs 2017. In summary, the twelve-month decrease of sales in 2018 is primarily due to a decrease in sales of avenanthramides compared to 2017.
- Net profit of \$444,000 for the fourth quarter of 2018 and a loss of \$316,000 for the full year of 2018 compared to a loss of \$1,642,000 and \$958,000 for the comparative periods in 2017. The net profit of \$444,000 in Q4 2018 includes non-recurring impairment charges on goodwill and intangible assets of \$649,000. These one-time impairment charges are non-cash items that do not have an adverse effect on the Company’s liquidity or cash flows from operating activities and will not have an impact on future operations.
- Positive working capital balance of \$4,776,000 as of December 31, 2018.

“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 are also very active in business development activities for out-licensing of selective Ceapro products. From a manufacturing perspective, the recently announced qualification of Ceapro’s bioprocessing sites have triggered considerable discussions with potential partners. Ceapro has the capability to work from two sites based in Alberta: the Leduc site, a government-owned bio incubator and the Edmonton site, Ceapro’s new facility which is now commissioned and validated,” added Mr. Gagnon. “Given that both sites were successfully audited by major customers, and given new opportunities that are arising especially for applications of proprietary new chemical complexes, Ceapro will continue to operate the two sites for an extended period depending on the results from an expected one-year feasibility study with a project dedicated to functional food. Should the results be positive, Leduc, in addition to be a back-up for Edmonton, would be dedicated for production of actives with application in the nutraceuticals and functional food industry while Edmonton will be for cosmeceuticals and potentially pharmaceuticals.”

"I strongly believe Ceapro has all the key components for success 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," concluded Mr. Gagnon.

**CEAPRO INC.**  
**Consolidated Balance Sheets**

	December 31, 2018 \$	December 31, 2017 \$
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	1,844,134	6,173,895
Trade receivables	3,015,344	1,246,413
Other receivables	46,899	213,512
Inventories (note 6)	710,708	1,085,388
Prepaid expenses and deposits	518,219	277,600
	<u>6,135,304</u>	<u>8,996,808</u>
Non-Current Assets		
Investment tax credits receivable	607,700	607,700
Deposits	88,340	87,816
Licences (note 7)	24,440	27,403
Property and equipment (note 8)	17,947,967	17,379,839
Intangible assets (note 9)	-	489,733
Goodwill (note 10)	-	218,606
Deferred tax assets (note 19 (b))	520,872	-
	<u>19,189,319</u>	<u>18,811,097</u>
<b>TOTAL ASSETS</b>	<u>25,324,623</u>	<u>27,807,905</u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	949,878	979,626
Current portion of long-term debt (note 11)	336,956	860,871
Royalty provision - Ceapro Inc. (note 12 (a) (c))	-	778,636
Royalty provision - Ceapro Technology Inc. (note 12 (b) (c))	-	1,375,000
Current portion of CAAP loan (note 14)	72,942	72,942
	<u>1,359,776</u>	<u>4,067,075</u>
Non-Current Liabilities		
Long-term debt (note 11)	110,350	430,622
CAAP loan (note 14)	115,216	161,424
Deferred tax liabilities (note 19 (b))	524,280	604,835
	<u>749,846</u>	<u>1,196,881</u>
<b>TOTAL LIABILITIES</b>	<u>2,109,622</u>	<u>5,263,956</u>
Equity		
Share capital (note 13 (b))	16,320,522	15,565,522
Contributed surplus (note 13 (f))	4,501,444	4,269,855
Retained earnings	2,393,035	2,708,572
	<u>23,215,001</u>	<u>22,543,949</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>25,324,623</u>	<u>27,807,905</u>

**CEAPRO INC.****Consolidated Statements of Net Loss and Comprehensive Loss**

Year Ended December 31,	2018 \$	2017 \$
Revenue (note 21)	11,592,666	12,925,825
Cost of goods sold	5,454,468	5,653,707
Gross margin	6,138,198	7,272,118
Research and product development	2,665,838	1,606,332
General and administration	3,000,005	2,840,605
Sales and marketing	225,549	32,106
Finance costs (note 17)	118,728	136,560
Income from operations	128,078	2,656,515
Other expenses (note 16)	(1,123,061 )	(929,696 )
Royalty provision - Ceapro Inc. (note 12 (a))	-	(778,636 )
Royalty provision - Ceapro Technology Inc. (note 12 (b))	-	(1,375,000 )
Impairment of intangible assets (note 9)	(430,533 )	-
Impairment of goodwill (note 10)	(218,606 )	-
Gain on settlement of royalty provisions (note 12 (c))	722,895	-
Loss before tax	(921,227 )	(426,817 )
Income taxes		
Current tax recovery	4,263	9,345
Deferred tax benefit (expense)	601,427	(540,803 )
Income tax benefit (expense) (note 19 (a))	605,690	(531,458 )
Total comprehensive loss for the year	(315,537 )	(958,275 )
Net loss per common share (note 27):		
Basic	(0.00 )	(0.01 )
Diluted	(0.00 )	(0.01 )
Weighted average number of common shares outstanding (note 27):		
Basic	76,201,191	75,343,907
Diluted	76,201,191	75,343,907

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](http://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](http://www.ceapro.com).

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Source: Ceapro Inc.