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Ceapro Inc. Reports 2017 First Quarter Development Highlights and Financial Results

Company well positioned for expansion into nutraceutical market; Company to advance beta glucan functional drink formulation into its next stage of development; Topline data from bio-efficacy study evaluating avenanthramides in exercise-induced inflammation expected in the near-term

EDMONTON, ALBERTA -- (Marketwired) -- 05/17/17 -- [Ceapro Inc.](#) (TSX VENTURE: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 its financial results for the three months ended March 31, 2017 and provided a corporate update.

Financial Highlights for the First Quarter 2017

- Total sales of \$3,183,000 for the quarter ended March 31, 2017 compared to \$4,064,000 in Q1 2016;
- Gross margin of \$1,711,000 for the quarter ended March 31, 2017 compared to \$2,834,000 in Q1 2016;
- Income from operations of \$193,000 for the quarter ended March 31, 2017 compared to \$1,910,000 in Q1 2016;
- Net profit after tax of \$18,000 for the quarter ended March 31, 2017 compared to a net profit after taxes of \$1,213,000 for Q1 2016; and
- Strong balance sheet including an equity position of \$23,138,000 as of March 31, 2017 compared to \$9,156,000 for the same period in 2016.

"The results from the first quarter in 2017 were achieved during the peak of a transitional period to a new production facility. Now that the transition is near completion and all required permits have been obtained from various jurisdictions, we can implement our vision to expand into the nutraceuticals and pharmaceuticals sectors. I believe that our non-traditional business model for a biotech company, consisting of a de-risked profitable biomanufacturing platform, combined with our strong cash position resulting from the latest financing, will enable us to significantly invest into the development of our two value drivers, beta glucan and avenanthramides, as a cholesterol reducer and anti-inflammatory respectively," stated Gilles Gagnon, M.Sc., MBA, President and CEO of Ceapro.

Recent Corporate Highlights

- Demonstrated the first water soluble solid nanodispersion formulation of CoQ10 utilizing its Pressurized Gas eXpanded Technology (PGX) enabling technology and presented positive results from the first phase of a project to develop a functional energy drink at the 16th European Meeting on Supercritical Fluid Technologies;
- Contributed high concentration avenanthramides for a U.S. based human bio-efficacy study of avenanthramides as an anti-inflammatory compound in exercise-induced inflammation;
- Pursued the development of the Company's enabling PGX technology at pilot scale level; and
- Completed protocol and required regulatory activities for pilot clinical study to develop beta glucan as a cholesterol reducer.

"We expect to have the topline data from our study evaluating avenanthramides in exercise-induced inflammation in the coming weeks, as well as advance our beta glucan study with CoQ10 functional drink into its next stage of development. Moving forward, we believe our unique and disruptive enabling technologies will continue to play a key role in Ceapro's success. We would like to thank our dedicated employees who once again deployed efforts beyond our expectations," added Mr. Gagnon.

Avenanthramides Program Update

Functional Food:

Ceapro successfully produced additional batches of high concentration of avenanthramides at the commercial level. This next generation of avenanthramides extracted from malted oat was used in a human bioavailability study conducted at the University of Michigan under the guidance of avenanthramide expert, Dr. Lili Ji.

Results from the bioavailability study at the end of 2016 prompted the initiation of a bio-efficacy study using high dose of avenanthramides with young men and women. The goal of this study is to further demonstrate the efficacy of avenanthramides in alleviating exercise-induced inflammation as evidenced by a significant decrease of inflammation biomarkers in the blood. We expect this study to complement previously published data from a similar study conducted with elderly people taking avenanthramides as a food additive. This bio-efficacy study is expected to be completed by the end of June 2017 with results expected in Q3 2017.

Pharmaceutical program (anti-inflammatory product):

While the bio-efficacy study is ongoing, Ceapro researchers are developing a pure powder formulation of this new generation of avenanthramides using a proprietary enabling chromatography technology. The resulting new pharmaceutical grade tablet will then be assessed in a second human bioavailability study. Positive results are expected to pave the way for further clinical studies with avenanthramides as a potential treatment for some inflammation based diseases. Such long term clinical program would be conducted with a pharmaceutical partner.

Beta Glucan Program Update

Functional Drink:

Following successful impregnation studies using beta glucan as a matrix, Ceapro initiated a study in 2015 with the University of Alberta for the development of a prototype functional

drink whereby the Company impregnated beta glucan with the well-known co-enzyme Q10 ("CoQ10") as an energy booster. The first phase of the development of this prototype analyzing the physicochemistry properties of the newly formed chemical complex was completed in Q4 2016 and positive data was recently presented at the 16th European Meeting on Supercritical Fluid Technologies.

The project included two studies, which were conducted at the University of Alberta by Dr. Feral Temelli's team along with Ceapro researchers. Positive results were obtained from both studies, first resulting in the successful development of a novel water soluble chemical complex (CoQ10-Beta Glucan) obtained from the utilization of Ceapro's PGX technology, and secondly the successful preparation of an appealing prototype beverage formulation that was determined to be well liked by a trained panel.

These positive findings open new opportunities for commercialization of CoQ10, which is normally poorly bioavailable and commonly sold in the form of gel capsules or emulsions due to its liposoluble nature. The lipophilic antioxidant CoQ10 is a natural substance present in all human cells that plays a fundamental role during aerobic cellular respiration. While many approaches have attempted to compensate for the depletion of this "energy source" caused by aging, certain diseases and the use of drugs to decrease cholesterol levels (statins), bioavailability remains an issue due to its poor solubility in water and its crystalline nature. The Company's next step is to test the bioavailability in humans to see if beta glucan is acting as an effective delivery system to bring more CoQ10 to targeted cells.

Nutraceutical program (Cholesterol Reducing Product):

The Company has developed the protocol with a group of medical experts for its upcoming pilot clinical study to develop beta glucan as a cholesterol reducer. The Principal Investigator has been appointed, as well as highly respected research institutions. This 18-24-month placebo controlled study will enroll a minimum of 240 patients who cannot tolerate high doses of current treatments. Additional biomarkers will also be looked at for a potential effect on insulin metabolism and other symptoms related to metabolic syndrome.

The PGX pilot scale level equipment recently installed in Ceapro's new facility will be used to supply the required quantities of dry beta glucan for this clinical trial.

Financial Results for Three Month Period Ended March 31, 2017

- Total revenue of \$3,183,000 for the three months ended March 31, 2017 compared to \$4,064,000 for the three months ended March 31, 2016, a decrease of 22% primarily due to a decrease in sales of beta glucan.
- Income before tax was \$12,000 for the three months ended March 31, 2017 compared to an income of \$1,734,000 for the same period in 2016.
- Net profit after tax amounts to \$18,000 for the quarter ended March 31, 2017 compared to tax adjusted net profit of \$1,213,000 for the same period in 2016. Net profit is affected by an increase of a non-cash item of \$307,000 related to the granting of stock options in January 2017.
- Research and Development investments of \$596,000, net of grant funding for the three months ended March 31, 2017 compared to \$328,000, net of grant funding in the 2016 period. Additional investments were incurred for the preparation of a beta glucan

clinical trial as a cholesterol reducer.

- General and Administration expenses of \$839,000 for the three months ended March 31, 2017 compared to \$496,000 for the same period in 2016. The increase in G&A was primarily due to an increase in salaries and benefits expense related to the granting of stock options in January which resulted in an increase in share-based payments of approximately \$287,000. While the share based payment accounting charge impacts net income, it has no impact on cash flows.
- Sales and Marketing expenses for the three months ending March 31, 2017 of only \$4,000 compared to \$2,000 in 2016, due to the Company's sales strategy to sell mostly through a distribution network.
- As of March 31, 2017, the Company had cash and cash equivalents of \$7,828,403 as compared to \$1,999,194 as of March 31, 2016.

"While our results from this quarter have been impacted by lower sales of beta glucan compared to the first quarter of 2016, which was an exceptional one, our base business serving the cosmeceuticals segment is very solid. We remain committed to continued year-over-year revenue performance of our high-value, de-risked base business and our further planned expansion into nutraceuticals," concluded Mr. Gagnon.

CEAPRO INC.
Consolidated Balance Sheets
Unaudited

	March 31, 2017 \$	December 31, 2016 \$
ASSETS		
Current Assets		
Cash and cash equivalents	7,828,403	9,150,035
Trade receivables	1,111,891	566,024
Other receivables	99,501	122,411
Inventories (note 4)	1,248,641	1,183,428
Prepaid expenses and deposits	789,891	371,950
	11,078,327	11,393,848
Non-Current Assets		
Investment tax credits receivable	487,339	487,339
Deposits	90,986	90,986
Licences (note 5)	29,626	30,366
Property and equipment (note 6)	15,005,903	14,324,887
Deferred tax assets	60,608	64,208
	15,674,462	14,997,786
TOTAL ASSETS	26,752,789	26,391,634
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	1,028,957	969,234
Deferred revenue (note 8)	282,428	489,613
Current portion of long-term debt (note 7)	979,555	1,002,246
Current portion of CAAP loan (note 10)	75,677	72,942
	2,366,617	2,534,035
Non-Current Liabilities		
Long-term debt (note 7)	1,038,780	1,255,658

CAAP loan (note 10)	208,909	201,233
	1,247,689	1,456,891
TOTAL LIABILITIES	3,614,306	3,990,926
Equity		
Share capital (note 9 (b))	15,419,091	14,859,136
Contributed surplus (note 9 (f))	4,034,777	3,874,725
Retained earnings	3,684,615	3,666,847
	23,138,483	22,400,708
TOTAL LIABILITIES AND EQUITY	26,752,789	26,391,634

CEAPRO INC.

Consolidated Statements of Net Income and Comprehensive Income

Unaudited

	2017	2016
Three Months Ended March 31,	\$	\$
Revenue (note 14)	3,183,510	4,063,576
Cost of goods sold	1,472,324	1,229,763
Gross margin	1,711,186	2,833,813
Research and product development	596,024	327,832
General and administration	839,340	495,646
Sales and marketing	4,290	2,186
Finance costs (note 13)	78,465	98,481
Income from operations	193,067	1,909,668
Other operating loss (note 12)	(181,043)	(175,692)
Income before tax	12,024	1,733,976
Income taxes		
Current tax (expense) recovery	9,344	(458,006)
Deferred tax (expense) recovery	(3,600)	(62,578)
Income tax (expense) recovery	5,744	(520,584)
Total comprehensive income for the period	17,768	1,213,392
Net income per common share (note 19):		
Basic	0.00	0.02
Diluted	0.00	0.02
Weighted average number of common shares outstanding (note 19):		
Basic	75,167,058	62,583,239
Diluted	76,829,224	65,676,833

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.

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.

INVESTOR AND MEDIA CONTACT:

Jenene Thomas

Jenene Thomas Communications, LLC

Investor Relations and Corporate Communications Advisor

T (US): 908-938-1475

E: jenene@jenenethomascommunications.com

Source: Ceapro Inc.