

Ceapro Inc. Reports 2020 Second Quarter and Six-Month Financial Results and Operational Highlights

- Record second quarter sales of \$4,666,000 compared to \$3,054,000 for second quarter 2019, representing a 53% increase and highest quarterly sales in Company's history –
- R&D activities focused on the development of innovative delivery systems –
- Net profit of \$1,077,000 for Q2 2020 vs. net loss of \$559,000 for Q2 2019 –
- Cash generated from operations of \$2,727,000 in 2020 vs \$853,000 in 2019 –
- Maintained production operations during COVID-19 pandemic, providing our customers with essential products while ensuring the health and safety of our employees –

EDMONTON, Alberta, Aug. 20, 2020 -- [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 financial results and operational highlights for the second quarter and the first six months ended June 30, 2020.

"We are extremely proud of our employees who worked tirelessly since the beginning of the year to deliver these excellent results despite the COVID-19 pandemic. Progress was made on all fronts from production operations with the largest volumes produced in Ceapro's history to Research Engineering where the PGX group has successfully developed and optimized new products like yeast beta glucan as a potential inhalable therapeutic for COVID-19. As we continue to move forward and navigate operations during these unprecedented times, our focus remains on the health and safety of our associates, followed by business continuity," stated [Gilles Gagnon, M.Sc., MBA, President and CEO](#).

Corporate and Operational Highlights

Pipeline Development:

- Announced expansion of collaborative research program with McMaster University to develop inhalable therapeutic for COVID-19;
- Announced publication of positive results for a PGX-processed drug delivery system for accelerated burn wound healing;
- Pursued the development of new PGX-dried chemical complexes for potential applications under various forms like pills, capsules, fast dissolving strips and face masks; and
- Continued the monitoring of 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.

Technology:

- Made significant technical upgrades of PGX demo plant;
- Completed technical assessment of available pieces of equipment world-wide for final decision on the type and location of future commercial scale PGX unit; and
- Executed on research collaboration projects with University of Alberta and McMaster University for the impregnation of various bio actives using PGX-processed dry beta glucan and alginate as potential delivery systems for multiple applications in healthcare.

Production Operations:

- Delivered the largest quantity of final product in Ceapro's history; and
- Initiated decommissioning of Leduc manufacturing site.

Corporate:

- Advanced conversations with interested potential partners to utilize Ceapro's innovative technologies; and
- Pursued out-licensing discussions for PGX-processed new chemical complexes.

Subsequent to Quarter:

- Announced publication of positive results from study evaluating avenanthramides in exercise-induced inflammation; and
- Announced successful development of yeast beta glucan as a potential inhalable therapeutic for COVID-19 and other fibrotic end-point diseases of the lung.

Financial Highlights for the Second Quarter and the Six Month Period Ended June 30, 2020

- Total sales of \$4,666,000 for the second quarter of 2020 and \$8,939,000 for the first six months of 2020 compared to \$3,054,000 and \$6,251,000 for the comparative periods in 2019. The 43% increase in sales for the first six months is mainly due to a significant increase in sales of avenanthramides as well as an increase in sales of beta glucan to China, compared to the same period in 2019.
- Net profit of \$1,077,000 for the second quarter of 2020 and \$2,203,000 for the first six months of 2020 compared to a net loss of \$559,000 and \$1,195,000 for the comparative periods in 2019.
- Excluding non-cash items, mainly amortization, adjusted net profit for the first six months in 2020 is \$ 3,323,000 versus adjusted net loss of \$24,600 for the first six months of 2019.
- Cash flows generated from operations of \$2,727,000 in 2020 vs \$853,000 in 2019.
- Positive working capital balance of \$7,732,000 as of June 30, 2020.
- Subsequent to quarter, made final payment clearing loan with Alberta Financial Service Corporation.

"Over the course of the second quarter, our operations executed and adapted well, delivering significantly improved results on both a sequential and year-over-year basis. This strong performance resulted in a record quarter for the Company, highlighting the resiliency of our business model focused on providing customers with essential, sustainable high-quality products. The ability of our business to successfully navigate through the challenging second quarter business environment is a testament to the commitment and hard work of our dedicated employees, and a measurable indication of the operational improvements and cost reduction initiatives being generated by our strategic investments of the past few years," continued Mr. Gagnon.

"Looking ahead, while taking into account the ongoing potential economic impact related to COVID-19 and evolving consumption trends, we believe Ceapro is well-positioned to once again deliver a solid double-digit growth in sales over 2019. With a strong balance sheet, a group of dedicated people, and a solid base business coupled with the innovative technologies and products that we have developed to enable us to expand, Ceapro is poised to emerge as a successful Life Science company," concluded Mr. Gagnon.

CEAPRO INC.
Consolidated Balance Sheets
Unaudited

	June 30, 2020 \$	December 31, 2019 \$
ASSETS		
Current Assets		
Cash and cash equivalents	4,267,320	1,857,195
Trade receivables	3,058,551	3,659,541
Other receivables	90,411	46,812
Inventories (note 3)	1,261,494	669,005
Prepaid expenses and deposits	262,199	178,908
	8,939,975	6,411,461
Non-Current Assets		
Investment tax credits receivable	607,700	607,700
Deposits	85,755	85,755
Licences (note 4)	19,995	21,477
Property and equipment (note 5)	18,883,313	19,764,122
Deferred tax assets	378,643	378,643
	19,975,406	20,857,697
TOTAL ASSETS	28,915,381	27,269,158
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	843,004	1,291,204
Current portion of long-term debt (note 6)	15,466	111,865
Current portion of lease liabilities (note 7)	272,145	265,123
Current portion of CAAP loan (note 9)	77,858	72,942
	1,208,473	1,741,134
Non-Current Liabilities		
Long-term lease liabilities (note 7)	2,637,776	2,775,627

CAAP loan (note 9)	67,074	61,580
Deferred tax liabilities	378,643	378,643
	3,083,493	3,215,850
TOTAL LIABILITIES	4,291,966	4,956,984
Equity		
Share capital (note 8 (b))	16,503,089	16,401,677
Contributed surplus (note 8 (e))	4,656,825	4,650,090
Retained earnings	3,463,501	1,260,407
	24,623,415	22,312,174
TOTAL LIABILITIES AND EQUITY	28,915,381	27,269,158

CEAPRO INC.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

Unaudited

	Quarters Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue (note 15)	4,665,971	3,053,727	8,939,345	6,250,657
Cost of goods sold	2,079,270	1,592,293	3,980,493	3,432,591
Gross margin	2,586,701	1,461,434	4,958,852	2,818,066
Research and product development	399,797	811,894	902,339	1,612,398
General and administration	838,263	878,620	1,703,297	1,611,639
Sales and marketing	29,207	95,102	77,435	202,780
Finance costs (note 12)	44,583	52,813	146,192	161,187
Income (loss) from operations	1,274,851	(376,995)	2,129,589	(769,938)
Other income (expenses) (note 11)	(197,812)	(181,596)	73,505	(425,281)
Income (loss) before tax	1,077,039	(558,591)	2,203,094	(1,195,219)
Income taxes	-	-	-	-
Total comprehensive income (loss) for the period	1,077,039	(558,591)	2,203,094	(1,195,219)
Net income (loss) per common share (note 18):				
Basic	0.01	(0.01)	0.03	(0.02)
Diluted	0.01	(0.01)	0.03	(0.02)
Weighted average number of common shares outstanding (note 18):				
Basic	77,608,341	77,053,836	77,573,327	77,050,330
Diluted	77,980,876	77,053,836	77,930,529	77,050,330

CEAPRO INC.
Consolidated Statements of Cash Flows
Unaudited

Six Months Ended June 30,	2020 \$	2019 \$
OPERATING ACTIVITIES		
Net income (loss) for the period	2,203,094	(1,195,219)
Adjustments for items not involving cash		
Finance costs	79,674	88,546
Transaction costs	1,108	3,080
Depreciation and amortization	920,521	912,751
Foreign exchange gain on long-term debt	-	(307)
Accretion	10,410	14,561
Share-based payments	108,147	152,017
Net income (loss) for the period adjusted for non-cash items	3,322,954	(24,571)
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	600,990	795,136
Other receivables	(43,599)	24,248
Inventories	(592,489)	(192,553)
Prepaid expenses and deposits	(33,088)	219,940
Accounts payable and accrued liabilities relating to operating activities	(448,200)	119,050
Total changes in non-cash working capital items	(516,386)	965,821
Net income (loss) for the period adjusted for non-cash and working capital items	2,806,568	941,250
Interest paid	(79,674)	(88,546)
CASH GENERATED FROM OPERATIONS	2,726,894	852,704
INVESTING ACTIVITIES		
Purchase of property and equipment	(38,230)	(27,611)
Deposits relating to investment in equipment	(50,203)	(53,239)
Accounts payable and accrued liabilities relating to investing activities	-	(1,458)
CASH USED IN INVESTING ACTIVITIES	(88,433)	(82,308)
FINANCING ACTIVITIES		
Stock options exercised	-	13,783
Repayment of long-term debt	(97,507)	(241,044)
Repayment of lease liabilities	(130,829)	(138,541)
CASH USED IN FINANCING ACTIVITIES	(228,336)	(365,802)
Increase in cash and cash equivalents	2,410,125	404,594
Cash and cash equivalents at beginning of the period	1,857,195	1,844,134
Cash and cash equivalents at end of the period	4,267,320	2,248,728

The complete financial statements are available for review on SEDAR at <https://www.sedar.com/DisplayProfile.do?lang=EN&issuerType=03&issuerNo=00010110> 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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