

CV Technologies Inc.

Consolidated Statements of Income (Loss)

(Unaudited – Prepared by Management)

For the three month period ended December 31

2003

2002

Product sales	<u>\$ 1,616,118</u>	<u>474,401</u>
Direct costs		
Product costs	398,827	171,393
Freight	20,124	4,579
Commissions and brokerage	<u>144,521</u>	<u>-</u>
	<u>563,472</u>	<u>175,972</u>
Gross margin (65.1%, 2002 – 62.9%)	<u>1,052,646</u>	<u>298,430</u>
Other revenue		
Interest	747	-
Licenses & Royalties	-	30,000
Rental	-	38,000
Research and development assistance	<u>20,000</u>	<u>-</u>
	<u>20,747</u>	<u>68,000</u>
Operating expenses		
Advertising and marketing	94,355	68,198
Amortization	22,723	14,698
Consulting fees	4,430	41,801
Insurance and licenses	15,323	11,424
Interest on long term debt	-	6,618
Office and occupancy	101,837	66,123
Professional fees	24,991	5,988
Public and investor relations	68,408	7,653
Quality control, research and development	190,070	108,742
Salaries and employee benefits	260,598	157,710
Travel	<u>26,177</u>	<u>11,412</u>
	<u>808,912</u>	<u>500,367</u>
Other operating expenses		
Write down of expired inventory	<u>-</u>	<u>85,356</u>
Income (loss) before non-controlling interest share of loss	<u>264,481</u>	<u>(219,293)</u>
Non-controlling interest share of loss	<u>1,198</u>	<u>20,034</u>
Net income (loss)	<u>\$ 265,679</u>	<u>\$ (199,259)</u>

See accompanying notes to the consolidated financial statements

CV Technologies Inc.
Consolidated Statements of Deficit**(Unaudited – Prepared by Management)****For the three month period ended December 31****2003****2002**

Deficit, beginning of year	\$ (14,770,984)	\$ (12,975,056)
Net income (loss)	<u>265,679</u>	<u>(199,259)</u>
Deficit, end of year	<u>\$ (14,505,305)</u>	<u>\$ (13,174,315)</u>
<hr/>		
Loss per share		
Basic earning (loss) per share	<u>\$ 0.003</u>	<u>\$ (0.003)</u>
Diluted earning (loss) per share	<u>\$ 0.003</u>	<u>\$ (0.003)</u>
Weighted average number of shares outstanding		
Basic	<u>78,683,538</u>	<u>69,713,160</u>
Diluted	<u>80,257,805</u>	<u>69,713,160</u>

The calculation of diluted loss per share in the prior year produced anti-dilutive results.

See accompanying notes to the consolidated financial statements

CV Technologies Inc.
Consolidated Balance Sheets
(Unaudited – Prepared by Management)

	December 31, 2003	September 30, 2003 (audited)
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 734,602	\$ -
Receivables	978,705	247,040
Inventory	1,464,663	426,002
Prepays	<u>149,510</u>	<u>68,377</u>
	3,327,480	741,419
Patents and registered trademarks (Note 4)	821,929	838,008
Capital assets (Note 5)	137,613	64,224
Deferred development costs	<u>1,808,006</u>	<u>1,808,006</u>
	<u>\$ 6,095,028</u>	<u>\$ 3,451,657</u>
Liabilities		
Current		
Bank indebtedness (Note 6)	\$ -	\$ 17,172
Payables and accruals	1,380,643	229,070
Current portion of debentures payable (Note 7)	290,278	283,140
Obligation under capital lease	<u>14,687</u>	<u>-</u>
	1,685,608	529,382
Deferred license revenue	30,000	30,000
Deferred lease inducement	<u>6,000</u>	<u>-</u>
	1,721,608	559,382
Non-controlling interest (Note 8)	<u>404,156</u>	<u>405,354</u>
Shareholders' Equity		
Capital stock (Note 9)	18,474,569	17,257,905
Deficit	<u>(14,505,305)</u>	<u>(14,770,984)</u>
	3,969,264	2,486,921
	<u>\$ 6,095,028</u>	<u>\$ 3,451,657</u>

See accompanying notes to the consolidated financial statements

CV Technologies Inc.

Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

For the three month period ended December 31

2003

2002

Increase (decrease) in cash and cash equivalents

Operating

Net income (loss)	\$ 265,679	\$ (199,259)
Amortization	22,723	48,512
Non-controlling interest share of loss	(1,198)	(20,034)
Lease inducement	6,000	-
Accrued interest	7,338	-
	<u>300,542</u>	<u>(170,781)</u>
Change in non-cash operating working capital		
Receivables	(731,665)	(64,252)
Inventory	(1,038,661)	131,621
Prepays	(81,133)	2,503
Payables and accruals	1,151,573	(149,359)
	<u>(399,344)</u>	<u>(250,268)</u>

Financing

Advances for capital lease	14,980	-
Repayment of capital lease	(493)	(11,920)
Issuance of debentures	-	6,461
Issuance of capital stock, net	1,216,665	692,500
	<u>1,231,152</u>	<u>687,041</u>

Investing

Purchase of capital assets	(80,034)	(22,500)
Purchase of patents and registered trademarks	-	(22,351)
	<u>(80,034)</u>	<u>(44,851)</u>

Increase (decrease) in cash and cash equivalents **751,774** 391,922

Cash and cash equivalents (bank indebtedness) (Note 10)

Beginning of year	<u>(17,172)</u>	<u>10,457</u>
End of period	<u>\$ 734,602</u>	<u>\$ 402,379</u>

Supplemental cash flow information (Note 10)

See accompanying notes to the consolidated financial statements

CV Technologies Inc.
Notes to the Consolidated Financial Statements
(Unaudited – Prepared by Management)
December 31, 2003

1. Nature of operations and going concern

CV Technologies Inc. is a publicly owned company that develops and sells biopharmaceutical and health supplement products. It is incorporated under the Business Corporations Act (Alberta), and trades on the TSX Venture Exchange under the symbol "CVQ".

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred significant operating losses over the past three fiscal years and has experienced substantial decreases in working capital in two of the last three years. Within the loan agreement that the Company has with its bank, the consolidated current ratio that the Company must maintain is defined as 1.5:1. As of the current quarter-end, the Company's consolidated current ratio is 2.0:1.

New management has a business plan that it believes will allow the Company to raise the required capital necessary to not only continue operations but to pursue alternative growth strategies.

These consolidated financial statements do not reflect the adjustments, if any, which might be necessary if the Company were not able to continue as a going concern, in which case the net realizable value of the Company's assets may be substantially less than the amounts recorded.

2. Significant accounting policies

The consolidated financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

3. Cash and cash equivalents

Included in cash and cash equivalents is \$41,344 (September 30, 2003 - \$61,455) that has been converted at the current rate in effect as of the balance sheet date, 0.1667 (2002 - 0.1747). In the books of the Company's subsidiary, this amount is denominated in Hong Kong currency.

CV Technologies Inc.
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4. Patents and registered trademarks

			December 31, 2003	September 30, 2003
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Patents	\$ 1,129,103	\$ 349,812	\$ 779,291	\$ 794,404
Registered trademarks	<u>79,230</u>	<u>36,592</u>	<u>42,638</u>	<u>44,604</u>
	<u>\$ 1,208,333</u>	<u>\$ 386,404</u>	<u>\$ 821,929</u>	<u>\$ 838,008</u>

5. Capital assets

			December 31, 2003	September 30, 2003
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 105,533	\$ 59,588	\$ 45,945	\$ 18,532
Computer hardware	57,815	6,252	51,563	14,695
Computer software	<u>64,641</u>	<u>24,536</u>	<u>40,105</u>	<u>30,997</u>
	<u>\$ 227,989</u>	<u>\$ 90,376</u>	<u>\$ 137,613</u>	<u>\$ 64,224</u>

6. Bank indebtedness

The Company has available to it an operating line up to a maximum of \$1,000,000 based on accounts receivable and inventory. As of December 31, 2003, the Company had drawn \$nil on the line (September 30, 2003 - \$nil). The operating line bears interest at Royal Bank of Canada prime rate plus 1.55% per annum and is repayable on demand. The collateral security lodged by the Company to support the operating line is a General Security Agreement.

7. Debentures

At year-end, the Company had debentures outstanding to a director of the Company in the amount of \$250,000, bearing interest at a rate of 10% per annum compounded monthly. The principal amount of the debenture and any accrued interest thereon is convertible at the option of the holder into a maximum of 3,050,977 common shares of the Company at a price of \$0.10 any time prior to the maturity date. Details of the debentures are as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Accrued Interest</u>	<u>Total</u>
June 26, 2002	June 25, 2004	<u>\$ 250,000</u>	<u>\$ 40,278</u>	<u>\$ 290,278</u>

CV Technologies Inc.
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8. Non-controlling interest

Non-controlling interest represents the equity interest of the minority shareholders in the Company's subsidiary, ChemBioPrint Asia Limited.

9. Capital stock

Authorized:

Unlimited number of Class A voting common shares
Unlimited number of Class P preferred shares,
voting rights to be determined prior to first issue

Issued and outstanding:

Class A common shares	<u>Shares</u>	<u>Amount</u>
Balance September 30, 2002	62,788,160	15,866,513
Private placements issued for cash consideration	13,925,000	1,334,392
Exercise of options	270,000	27,000
Exercise of warrants	<u>300,000</u>	<u>30,000</u>
Balance September 30, 2003	77,283,160	\$ 17,257,905
Exercise of options	360,689	73,827
Exercise of warrants	<u>10,503,375</u>	<u>1,142,837</u>
Balance December 31, 2003	<u>88,147,224</u>	<u>18,474,569</u>

Stock options

The Company has adopted a stock option plan that permits the Board of Directors to grant to employees, officers and directors options to purchase from Treasury up to 15,392,632 common shares. Options issued after the listing of the Company on the TSX Venture Exchange shall have an exercise price not less than the minimum price required by the TSX Venture Exchange.

As at December 31, 2003 there are 12,778,917 (September 30, 2003 – 13,139,606) stock options outstanding, exercisable at prices ranging from \$0.10 to \$0.72 that expire between March 1, 2004 and June 20, 2008.

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9. Capital stock (cont'd)

Stock options (cont'd)

A summary of the status of the Company's stock options as of December 31, 2003 and September 30, 2002 is presented below:

	Quarter Ended December 31, 2003		Year Ended September 30, 2003	
	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>	<u>Shares</u>	<u>Weighted- Average Exercise Price</u>
Outstanding, beginning of period / year	13,139,606	0.1743	3,368,648	0.3680
Granted	-	-	12,780,658	0.1582
Exercised	(360,689)	0.2046	(270,000)	0.1000
Expired	-	-	(2,739,700)	0.3443
Outstanding, end of period / year	<u>12,778,917</u>	<u>0.1737</u>	<u>13,139,606</u>	<u>0.1743</u>
Exercisable, end of period / year	<u>1,348,259</u>		<u>1,708,948</u>	

All options granted prior to the 2003 fiscal year vested immediately. The following vesting matrix applies to all stock options granted after the 2002 fiscal year:

<u>Percentage</u>	<u>Gross Annual Sales</u>	<u>Common Stock Price</u>
25%	\$ 5,000,000	\$0.50
50%	\$10,000,000	\$1.00
75%	\$15,000,000	\$2.00
100%	\$20,000,000	\$3.00

The following table summarizes information about the stock options outstanding at December 31, 2003:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Remaining Contractual Life (years)</u>	<u>Number Exercisable</u>
0.1000	360,000	3.5	360,000
0.1500	10,540,658	4.4	-
0.2000	1,107,759	4.5	217,759
0.2300	240,000	2.5	240,000
0.2500	75,000	0.2	75,000
0.3000	50,000	2.1	50,000
0.7200	<u>405,500</u>	1.3	<u>405,500</u>
	<u>12,778,917</u>		<u>1,348,259</u>

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9. Capital stock (cont'd)

Warrants

The Company has 4,005,000 warrants outstanding at December 31, 2003 (September 30, 2003 – 14,508,375). These warrants are convertible at the option of the holder into common shares at a price ranging from \$0.10 to \$0.12 per share and expire November 29, 2004 to May 13, 2005.

A summary of the status of the Company's warrants as of December 31, 2003 and September 30, 2003, and changes during the periods ending on those dates is presented below:

	<u>Quarter Ended</u> <u>December 31, 2003</u>		<u>Year Ended</u> <u>September 30, 2003</u>	
	<u>Shares</u>	<u>Weighted-Average</u> <u>Exercise</u> <u>Price</u>	<u>Shares</u>	<u>Weighted-Average</u> <u>Exercise</u> <u>Price</u>
Outstanding, beginning of period / year	14,508,375	0.1112	1,053,375	0.1498
Granted	-	-	13,755,000	0.1080
Exercised	<u>(10,503,375)</u>	0.1088	<u>(300,000)</u>	0.1000
Outstanding, end of period / year	<u>4,005,000</u>	0.1175	<u>14,508,375</u>	0.1112
Exercisable, end of period / year	<u>4,005,000</u>		<u>14,508,375</u>	

The following table summarizes information about the warrants outstanding at December 31, 2003:

<u>Exercise Price</u>	<u>Number</u> <u>Outstanding</u>	<u>Remaining</u> <u>Contractual Life</u> <u>(years)</u>	<u>Number</u> <u>Exercisable</u>
0.1000	505,000	0.9	505,000
0.1200	<u>3,500,000</u>	1.4	<u>3,500,000</u>
	<u>4,005,000</u>		<u>4,005,000</u>

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10. Supplemental cash flow information

	<u>2003</u>	<u>2002</u>
Interest paid	\$ <u>2,092</u>	\$ <u>3,928</u>

11. Commitments and contingencies

- a) The Company has an agreement with the National Research Council of Canada to obtain up to \$495,000 in assistance for research and development expenditures. During fiscal 2003, \$nil (2002 - \$12,698) of this assistance was received and credited to earnings. As of September 30, 2002, all assistance under this agreement had been received.

The Company is obliged to repay the financial assistance by way of 1.5% of the Company's gross revenues, which commenced April 1, 2003, up to a maximum of \$742,000, which is 150% of the original contribution amount. The obligation to pay terminates at the earlier of the full repayment of the \$742,000 or 10 years after the start of the repayment period. The Company is not obliged to repay any of the grants received should the Company have no future revenues on product sales. A total of \$24,241 has been accrued to date and included in payables and accruals.

- b) The Company has an agreement with AVAC Ltd. to obtain up to \$525,000 in assistance to fund continued development of the proprietary ChemBioPrint technology platform and CVT-E002. As at December 31, 2003, \$8,333 (2002 - \$8,333) of assistance is still available to the Company.

The Company is obliged to repay the financial assistance by way of 1.5% of the Company's gross revenues after January 1, 2002 up to a maximum of \$1,050,000, which is 200% of the original contribution amount. The Company is not obliged to repay any of the assistance received should the Company have no future revenues on product sales. A total of \$62,367 has been accrued to date and included in payables and accruals.

- c) The Company has entered into an agreement to lease new premises in Calgary, Alberta requiring minimum annual lease payments of \$77,048 for the next five years. In addition, the Company must pay a proportionate share of common area costs. The initial lease term expires April 30, 2009 with a renewal period extending to April 30, 2013.

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December 31, 2003

12. Joint venture

On October 29, 2002 the Company entered into a joint venture with Centaur Pharmaceuticals, a private company, in the creation of Vet Ex Inc. The joint venture, in which the Company holds a 60% interest, has licensed the veterinary rights for the Company's nutraceutical products and ChemBioPrint technology.

The Company has recorded its interest in Vet Ex Inc. using the proportionate consolidation method. The following table summarizes the Company's share of the assets, expenses and cash flows of Vet Ex Inc. included in these consolidated financial statements.

Assets	December 31, 2003
Current	
Cash and cash equivalents	<u>\$ 21,401</u>

Expenses and cash flows for the period October 1, 2003 to December 31, 2003

Expenses	
Selling, general and administrative	<u>\$ 6</u>
Cash flows	
Cash flows from operating activities	<u>\$ 3,517</u>

13. Subsequent events

Subsequent to period, 100,000 options were exercised at \$0.10, resulting in cash proceeds of

CV Technologies Inc.
Notes to the Consolidated Financial Statements
(Unaudited – Prepared by Management)
December 31, 2003

14. Stock-based compensation

The following pro forma financial information presents the net income and net earning per share had the Company elected to recognize stock-based compensation using the fair value methodology. The pro forma disclosure omits the effect of awards granted before the years beginning October 1, 2002. There was no compensation cost recorded from the options granted.

	Quarter Ended December 31, <u>2003</u>
Net income for the period as reported	\$ 265,679
Compensation expense	\$ 79,639
Pro forma net income	\$ 186,040
Pro forma basic and diluted earning per share	\$ 0.03

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the options granted to employees during the quarter ended December 31, 2003. The following weighted average assumptions were used for the quarter ended December 31, 2003, resulting in a fair value of \$0.089 per option:

Dividend yield	0.00%
Volatility	113.6%
Risk free interest rate	3.44%
Expected life (years)	3 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.