

**CV Technologies Inc.**  
**Consolidated Statements of Income (Loss)**  
(Unaudited – Prepared by Management)

	Three months ended March 31		Six months ended March 31	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Product sales	<b>\$ 1,013,967</b>	\$ 498,345	<b>\$ 2,630,085</b>	\$ 972,746
Direct costs				
Product costs	<b>297,301</b>	183,005	<b>696,128</b>	354,397
Freight	<b>52,768</b>	2,949	<b>111,030</b>	7,528
Commissions and brokerage	<b>66,078</b>	-	<b>172,461</b>	-
	<b>416,147</b>	185,954	<b>979,619</b>	361,925
Gross margin (60.0%, 2003 - 62.7%; 62.8%, 2003 – 62.8%)	<b>597,820</b>	312,391	<b>1,650,466</b>	610,821
Other revenue				
Interest	<b>77</b>	65	<b>824</b>	65
Licenses & Royalties	-	-	-	30,000
Rental	-	38,000	-	76,000
Research and development assistance	<b>20,000</b>	-	<b>40,000</b>	-
	<b>20,077</b>	38,065	<b>40,824</b>	106,065
Operating expenses				
Advertising and marketing	<b>158,652</b>	105,474	<b>272,381</b>	177,130
Amortization	<b>24,346</b>	13,156	<b>47,069</b>	27,854
Business promotions & donations	<b>17,331</b>	3,628	<b>25,164</b>	4,543
Consulting fees	<b>5,000</b>	31,529	<b>9,430</b>	73,330
Insurance and licenses	<b>18,882</b>	17,031	<b>34,205</b>	28,455
Interest and bank charges	<b>9,132</b>	5,093	<b>18,162</b>	8,864
Interest on long term debt	<b>576</b>	6,624	<b>776</b>	13,242
Office and occupancy	<b>83,943</b>	33,558	<b>149,343</b>	91,537
Professional fees	<b>47,636</b>	19,289	<b>72,627</b>	25,277
Public and investor relations	<b>79,208</b>	44,647	<b>147,616</b>	52,300
Quality control, research and development	<b>143,669</b>	65,821	<b>333,739</b>	174,563
Salaries and employee benefits	<b>276,642</b>	186,373	<b>537,240</b>	344,083
Travel	<b>30,244</b>	7,922	<b>56,421</b>	19,334
	<b>895,261</b>	540,145	<b>1,704,173</b>	1,040,512
Other operating expenses				
Loss on disposal of materials	-	-	-	78,018
Write down of expired inventory	-	3,799	-	11,137
Loss before non-controlling interest share of loss	<b>(277,364)</b>	(193,488)	<b>(12,883)</b>	(412,781)
Non-controlling interest share of loss	<b>8,047</b>	8,833	<b>9,245</b>	28,867
Net income (loss)	<b>\$ (269,317)</b>	\$ (184,655)	<b>\$ (3,638)</b>	\$ (383,914)

See accompanying notes to the consolidated financial statements

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**CV Technologies Inc.**  
**Consolidated Statements of Deficit**  
(Unaudited – Prepared by Management)

	Three months ended March 31		Six months ended March 31	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Deficit, beginning of period	<b>\$ (14,505,305)</b>	\$ (13,174,315)	<b>\$ (14,770,984)</b>	\$ (12,975,056)
Net income (loss)	<u><b>(269,317)</b></u>	<u>(184,655)</u>	<u><b>(3,638)</b></u>	<u>(383,914)</u>
Deficit, end of year	<b><u>\$ (14,774,622)</u></b>	<u>\$ (13,358,970)</u>	<b><u>\$ (14,774,622)</u></b>	<u>\$ (13,358,970)</u>
<hr/>				
Loss per share				
Basic loss per share	<b>\$ (0.0033)</b>	\$ (0.0028)	<b>\$ 0.0000</b>	\$ (0.0058)
Diluted loss per share	<b>\$ (0.0032)</b>	(0.0028)	<b>\$ 0.0000</b>	(0.0058)
Weighted average number of shares outstanding				
Basic	<b>81,416,332</b>	65,726,063	<b>81,416,332</b>	65,726,063
Diluted	<b>84,614,738</b>	65,726,063	<b>84,614,738</b>	65,726,063

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

See accompanying notes to the consolidated financial statements

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

	March 31, 2004	September 30, 2003 (audited)
<b>Assets</b>		
Current		
Cash and cash equivalents (Note 3)	\$ 264,826	\$ -
Receivables	484,741	247,040
Inventory	1,847,332	426,002
Prepays	<u>239,848</u>	<u>68,377</u>
	2,836,747	741,419
Patents and registered trademarks (Note 4)	831,252	838,008
Capital assets (Note 5)	138,093	64,224
Deferred development costs	<u>1,808,006</u>	<u>1,808,006</u>
	<u>\$ 5,614,098</u>	<u>\$ 3,451,657</u>
<b>Liabilities</b>		
Current		
Bank indebtedness (Note 6)	\$ -	\$ 17,172
Payables and accruals	1,136,044	229,070
Current portion of debentures payable (Note 7)	297,596	283,140
Obligation under capital lease	<u>13,786</u>	<u>-</u>
	1,447,426	529,382
Deferred license revenue	30,000	30,000
Deferred lease inducement	<u>24,000</u>	<u>-</u>
	<u>1,501,426</u>	<u>559,382</u>
Non-controlling interest (Note 8)	<u>396,108</u>	<u>405,354</u>
<b>Shareholders' Equity</b>		
Capital stock (Note 9)	18,487,070	17,257,905
Contributed surplus (Note 15)	4,116	-
Deficit	<u>(14,774,622)</u>	<u>(14,770,984)</u>
	<u>3,716,564</u>	<u>2,486,921</u>
	<u>\$ 5,614,098</u>	<u>\$ 3,451,657</u>

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See accompanying notes to the consolidated financial statements

**CV Technologies Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited – Prepared by Management)

	Three months ended March 31		Six months ended March 31	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Increase (decrease) in cash and cash equivalents				
<b>Operating</b>				
Net income (loss)	\$ (269,317)	\$ (184,655)	\$ (3,638)	\$ (383,914)
Amortization	24,346	44,422	47,069	92,934
Non-controlling interest share of loss	(8,047)	(8,833)	(9,245)	(28,867)
Accrued stock compensation expenses	4,116	-	4,116	-
Lease inducement	18,000	-	24,000	-
Accrued debenture interest	7,117	-	14,455	-
Accrued interest	188	-	188	-
	<u>(223,597)</u>	<u>(149,066)</u>	<u>76,945</u>	<u>(319,847)</u>
Change in non-cash operating working capital				
Receivables	493,967	(20,674)	(237,701)	(84,926)
Inventory	(382,669)	(16,410)	(1,421,330)	115,211
Prepays	(90,338)	(28,737)	(171,471)	(26,234)
Payables and accruals	(244,602)	(20,435)	906,974	(169,794)
	<u>(447,239)</u>	<u>(235,322)</u>	<u>(846,583)</u>	<u>(485,590)</u>
<b>Financing</b>				
Advances for capital lease	-	-	14,980	-
Repayment of capital lease	(889)	(4,263)	(1,382)	(16,183)
Issuance of debentures	-	6,624	-	13,085
Issuance of capital stock, net	12,500	97,500	1,229,165	790,000
	<u>11,611</u>	<u>99,861</u>	<u>1,242,763</u>	<u>786,902</u>
<b>Investing</b>				
Purchase of capital assets	(8,472)	(22,500)	(88,506)	(45,000)
Purchase of patents and registered trademarks	(25,676)	(20,969)	(25,676)	(43,320)
	<u>(34,148)</u>	<u>(43,469)</u>	<u>(114,182)</u>	<u>(88,320)</u>
Increase (decrease) in cash and cash equivalents	(469,776)	(178,930)	281,998	212,992
Cash and cash equivalents (bank indebtedness) (Note 10)				
Beginning of period	734,602	402,379	(17,172)	10,457
End of period	<u>\$ 264,826</u>	<u>\$ 223,449</u>	<u>\$ 264,826</u>	<u>\$ 223,449</u>

Supplemental cash flow information (Note 10)

See accompanying notes to the consolidated financial statements

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**CV Technologies Inc.**  
**Notes to the Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
March 31, 2004

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**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.

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.

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**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.

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**3. Cash and cash equivalents**

Included in cash and cash equivalents is \$19,346 (September 30, 2003 - \$61,455) that has been converted at the current rate in effect as of the balance sheet date, 0.1678 (2003 - 0.1747). In the books of the Company's subsidiary, this amount is denominated in Hong Kong currency.

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**CV Technologies Inc.**  
**Notes to the Consolidated Financial Statements**  
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**March 31, 2004**

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**4. Patents and registered trademarks**

		<u>March 31,</u> <u>2004</u>	September 30,	<u>2003</u>
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u> <u>Book Value</u>	<u>Net</u> <u>Book Value</u>
Patents	\$ 1,136,058	\$ 363,967	\$ 772,091	\$ 794,404
Registered trademarks	<u>97,951</u>	<u>38,790</u>	<u>59,161</u>	<u>44,604</u>
	<u>\$ 1,234,009</u>	<u>\$ 402,757</u>	<u>\$ 831,252</u>	<u>\$ 838,008</u>

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**5. Capital assets**

		<u>March 31,</u> <u>2004</u>	September 30,	<u>2003</u>
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u> <u>Book Value</u>	<u>Net</u> <u>Book Value</u>
Furniture and equipment	\$ 110,064	\$ 62,103	\$ 47,961	\$ 18,532
Computer hardware	61,758	9,759	51,999	14,695
Computer software	<u>64,641</u>	<u>26,508</u>	<u>38,133</u>	<u>30,997</u>
	<u>\$ 236,463</u>	<u>\$ 98,370</u>	<u>\$ 138,093</u>	<u>\$ 64,224</u>

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**6. Bank indebtedness**

The Company has available to it an operating line up to a maximum of \$1,000,000 based on accounts receivable, inventory, and research & development scientific tax credits. As of March 31, 2004, 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.

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**7. Debentures**

At March 31, 2004, 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</u> <u>Interest</u>	<u>Total</u>
June 26, 2002	June 25, 2004	\$ 250,000	\$ 47,596	\$ 297,596

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**CV Technologies Inc.**  
**Notes to the Consolidated Financial Statements**  
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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.

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**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	470,689	86,327
Exercise of warrants	<u>10,503,375</u>	<u>1,142,837</u>
Balance March 31, 2004	<u>88,257,224</u>	<u>18,487,069</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 March 31, 2004 there are 15,633,917 (September 30, 2003 – 13,139,606) stock options outstanding, exercisable at prices ranging from \$0.10 to \$0.72 that expire between September 8, 2004 and January 21, 2009.

**CV Technologies Inc.**  
**Notes to the Consolidated Financial Statements**  
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**March 31, 2004**

**9. Capital stock (cont'd)**

**Stock options (cont'd)**

A summary of the status of the Company's stock options as of March 31, 2004 and September 30, 2003 is presented below:

	<u>Period Ended</u> <b>March 31, 2004</b>		<u>Year Ended</u> <b>September 30, 2003</b>	
	<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	3,580,000	0.6927	12,780,658	0.1582
Reinstated	10,000	0.25	-	-
Exercised	(470,689)	0.2046	(270,000)	0.1000
Expired	<u>(625,000)</u>	-	<u>(2,739,700)</u>	0.3443
Outstanding, end of period / year	<u>15,633,917</u>	0.2368	<u>13,139,606</u>	0.1743
Exercisable, end of period / year	<u>1,173,259</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 March 31, 2004:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Remaining Contractual Life (years)</u>	<u>Number Exercisable</u>
0.1000	260,000	3.17	260,000
0.1500	9,990,658	4.08	-
0.2000	1,107,759	4.25	217,759
0.2300	240,000	2.25	240,000
0.3000	50,000	1.83	50,000
0.6400	30,000	4.83	-
0.6800	2,000,000	4.58	-
0.7100	1,550,000	4.75	-
0.7200	<u>405,500</u>	1.00	<u>405,500</u>
	<u>15,633,917</u>		<u>1,173,259</u>

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**CV Technologies Inc.**  
**Notes to the Consolidated Financial Statements**  
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**9. Capital stock (cont'd)**

**Warrants**

The Company has 4,005,000 warrants outstanding at March 31, 2004 (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 March 31, 2004 and September 30, 2003, and changes during the periods ending on those dates is presented below:

	<b>Period Ended March 31, 2004</b>		Year Ended September 30, 2003	
	<u>Shares</u>	Weighted- Average Exercise <u>Price</u>	<u>Shares</u>	Weighted- Average Exercise <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 March 31, 2004:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Remaining Contractual Life (years)</u>	<u>Number Exercisable</u>
0.1000	505,000	0.65	505,000
0.1200	<u>3,500,000</u>	1.16	<u>3,500,000</u>
	<u>4,005,000</u>		<u>4,005,000</u>

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**CV Technologies Inc.**  
**Notes to the Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
March 31, 2004

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**10. Supplemental cash flow information**

	<u>2004</u>	<u>2003</u>
Interest paid	<u>\$ 18,881</u>	<u>\$ 14,703</u>

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**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 2004, \$nil (2003 - \$nil) of this assistance was received. As of September 30, 2003, 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 \$39,049 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 March 31, 2004, \$8,333 (2003 - \$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 \$39,049 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.
- d) The Company has entered into an agreement to lease new premises in Edmonton, Alberta requiring minimum annual lease payments of \$47,234 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.

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**CV Technologies Inc.**  
**Notes to the Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
March 31, 2004

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**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.

<b>Assets</b>	<b>March 31, 2004</b>
Current	
Cash and cash equivalents	\$ 22,499
<b>Receivable</b>	<u>77</u>
	<u>\$ 22,576</u>

**Revenue, expenses and cash flows for the period October 1, 2003 to March 31, 2004**

<b>Revenue</b>	<u>\$ 1,107</u>
<b>Expenses</b>	
Selling, general and administrative	<u>\$ 16</u>
<b>Cash flows</b>	
Cash flows from operating activities	<u>\$ 1,091</u>

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**13. Subsequent events**

Subsequent to period, 10,000 options and 135,000 warrants were exercised at \$0.10, resulting in cash proceeds of 14,500.

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# CV Technologies Inc.

## Notes to the Consolidated Financial Statements

(Unaudited – Prepared by Management)

March 31, 2004

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### 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.

	<b>Six Months Ended March 31, 2004</b>
Net loss for the period as reported	\$ (3,638)
Compensation expense	\$ 131,730
Pro forma net loss	\$ (135,368)
Pro forma basic and diluted loss per share	\$ (0.0016)

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the options granted to employees during the period ended March 31, 2004. The following weighted average assumptions were used for the period ended March 31, 2004, resulting in a fair value of \$0.44 per option:

Dividend yield	0.00%
Volatility	117.6%
Risk free interest rate	4.5%
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.

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### 15. Contributed surplus

Contributed surplus represent the fair value of stock based compensation granted to non-employees.

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### 16. Comparative figures

Certain prior period figures have been reclassified to conform to the current period's presentation.