

CV Technologies Inc.
Consolidated
Financial Statements
September 30, 2005

Auditors' Report

To the Shareholders of
CV Technologies Inc.

We have audited the consolidated balance sheets of CV Technologies Inc. as at September 30, 2005 and 2004 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Edmonton, Canada
November 24, 2005

Chartered Accountants

CV Technologies Inc.
Consolidated Statements of Earnings

Years Ended September 30

	2005	2004
Product sales	\$ 31,850,112	\$ 6,416,732
Cost of goods sold	7,730,873	1,870,227
Gross margin (2005 - 75.7%, 2004 – 70.9%)	24,119,239	4,546,505
Operating expenses		
Advertising and marketing	5,209,758	1,284,815
Stock-based compensation	2,941,794	71,558
Quality control, research and development	1,891,776	642,645
Salaries and employee benefits	1,830,809	1,022,798
Consulting, contracting and professional fees	1,275,246	475,861
Administration, occupancy and insurance	1,265,305	600,875
Public relations and business promotion	456,291	202,615
Amortization of deferred development costs	271,201	-
Amortization of property and equipment and intangible assets	173,886	100,446
Lease settlement (Note 20)	151,103	-
Acquisition costs (Note 3)	137,922	-
Bad debts (recovery)	61,656	(1,342)
Interest and bank charges	35,034	45,591
	15,701,781	4,445,862
Earnings before other revenue, non-controlling interest and income taxes	8,417,458	100,643
Other revenue		
Interest revenue	48,955	-
Gain (loss) on foreign exchange	44,533	(3,914)
Other revenue	24,921	2,699
Sub-contract	-	40,000
	118,409	38,785
Earnings before non-controlling interest and income taxes	8,535,867	139,428
Non-controlling interest share of subsidiary loss	-	11,490
Earnings before income taxes	8,535,867	150,918
Income taxes		
Current	-	-
Future (recovery)	(1,557,371)	-
	(1,557,371)	-
Net earnings	\$ 10,093,238	\$ 150,918

See accompanying notes to the consolidated financial statements

CV Technologies Inc.
Consolidated Statements of Deficit

Years Ended September 30

	2005	2004
Deficit, beginning of year	\$ (14,250,917)	\$ (14,401,835)
Change in accounting policy (Note 12)	(1,859,716)	-
As restated	(16,110,633)	(14,401,835)
Net earnings	10,093,238	\$150,918
Deficit, end of year	<u>\$ (6,017,395)</u>	<u>\$ (14,250,917)</u>

Earnings per share (Note 13)

Basic earnings per share	\$ 0.10	\$ 0.00
Diluted earnings per share	\$ 0.09	\$ 0.00

See accompanying notes to the consolidated financial statements

CV Technologies Inc.

Consolidated Balance Sheets

September 30

	2005	2004
Assets		
Current		
Cash and cash equivalents	\$ 5,951,981	\$ -
Accounts receivable	5,587,383	1,949,061
Inventory	7,636,637	2,398,666
Prepaid expenses	49,977	289,768
Future income taxes (Note 16)	<u>1,508,345</u>	<u>-</u>
	20,734,323	4,637,495
Patents and registered trademarks (Note 4)	876,704	853,872
Property and equipment (Note 5)	519,763	200,560
Deferred development costs	1,536,805	1,808,006
Future income taxes (Note 16)	<u>49,026</u>	<u>-</u>
	<u>\$ 23,716,621</u>	<u>\$ 7,499,933</u>
Liabilities		
Current		
Bank indebtedness (Note 6)	\$ -	\$ 180,970
Demand loan (Note 7)	-	1,275,000
Accounts payable and accruals	3,778,378	1,228,983
Current portion of obligations under capital leases (Note 9)	25,123	17,144
Current portion of lease inducements	<u>3,095</u>	<u>11,016</u>
	3,806,596	2,713,113
Deferred license revenue	30,000	30,000
Obligations under capital leases (Note 9)	27,939	38,790
Lease inducement	<u>11,668</u>	<u>39,008</u>
	<u>3,876,203</u>	<u>2,820,911</u>
Non-controlling interest (Note 10)	<u>-</u>	<u>24,714</u>
Shareholders' Equity		
Share capital (Note 11)	20,984,745	18,833,667
Contributed surplus (Note 12)	4,873,068	71,558
Deficit	<u>(6,017,395)</u>	<u>(14,250,917)</u>
	<u>19,840,418</u>	<u>4,654,308</u>
	<u>\$ 23,716,621</u>	<u>\$ 7,499,933</u>
Commitments (Note 18)		

See accompanying notes to the consolidated financial statements

CV Technologies Inc.

Consolidated Statements of Cash Flows

Years Ended September 30

	2005	2004
Operating		
Net earnings	\$ 10,093,238	\$ 150,918
Items not affecting cash		
Future income tax recovery	(1,557,371)	-
Amortization	445,087	100,446
Gain on disposal of property and equipment	(20,166)	-
Non-controlling interest share of loss	-	(11,490)
Accrued interest on debenture payable	-	21,956
Acquisition costs	137,922	-
Lease settlement	151,103	-
Stock-based compensation	2,941,794	71,558
	12,191,607	333,388
Change in non-cash operating working capital		
Accounts receivable	(3,583,487)	(1,702,021)
Inventory	(5,237,971)	(1,972,664)
Prepaid expenses	239,791	(221,391)
Accounts payable and accruals	2,549,395	999,913
Lease inducement	(35,261)	50,024
	6,124,074	(2,512,751)
Financing		
(Repayment) issuance of demand loan	(1,275,000)	1,275,000
Repayment of obligations under capital leases	(20,810)	(6,298)
Issuance of share capital	2,151,078	1,270,664
	855,268	2,539,366
Investing		
Purchase of property and equipment	(428,219)	(107,891)
Purchase of patents and registered trademarks	(98,935)	(82,522)
Purchase of remaining shares of ChemBioPrint Asia Limited	(143,837)	-
Payment for lease settlement	(175,400)	-
	(846,391)	(190,413)
Increase (decrease) in cash and cash equivalents	6,132,951	(163,798)
Cash and cash equivalents (bank indebtedness)		
Beginning of year	(180,970)	(17,172)
End of year	\$ 5,951,981	\$ (180,970)

Supplemental cash flow information (Note 14)

See accompanying notes to the consolidated financial statements

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

1. Nature of operations

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".

2. Summary of significant accounting policies

The Company's accounting policies and its standards of financial disclosure are in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

The consolidated financial statements include the assets, liabilities, and result of operations, after the elimination of intercompany transactions and balances of the Company, 99.1% of its subsidiary (2004 - 57.4%) ChemBioPrint Asia Limited and its 60% joint venture interest in Vet Ex Inc.

Use of estimates

In preparing financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of foreign currencies

a) Consolidation

Monetary assets and liabilities of the Company's foreign subsidiary are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the rates in effect when the transactions giving rise to the asset or liability take place. The income and expenses for the subsidiary are translated using the average exchange rate for the year.

b) Transactions

Foreign currency denominated monetary accounts of the Company are translated at the period-end exchange rate. Non-monetary items are translated at the exchange rate in effect on the date in which the transaction occurred. Realized and unrealized gains and losses on translation are recognized in income (loss) in the year they arise.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

2. Summary of significant accounting policies (cont'd)

Revenue recognition

Revenue from the sale of goods is recognized when title passes to the customer, which is generally at the time the goods are received by the customer and when reasonable assurance exists regarding the measurement and collection of the consideration given.

License revenue and other revenue from third party contracts are recognized and earned on an accrual basis in accordance with the terms of the contractual agreements.

Research and development assistance for clinical trials and technology development expenses is recognized as a reduction of expenses at the time that the related expenditure is incurred under the terms of the funding agreement. Certain portions of the assistance may be repayable dependent upon the ultimate success of the related products and will be charged to earnings at that time (Note 18a and b).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of outstanding cheques.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis.

Patents and registered trademarks

Patents and registered trademarks are recorded at cost and are amortized on a straight-line basis over the estimated useful life of 20 and 10 years respectively.

Property and equipment

Property and equipment are recorded at cost and amortization is provided for using the following methods and rates:

Furniture and equipment	20 - 30%, declining balance
Computer hardware	20 - 50%, declining balance
Computer software	20%, declining balance
Lab equipment	20%, declining balance
Automobiles	30%, declining balance
Equipment under capital leases	20%, declining balance

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

2. Summary of significant accounting policies (cont'd)

Deferred development costs

Development costs are capitalized for the technologies that are at a stage where potentially profitable markets have been identified and evaluated. The costs deferred are for clinical studies related to the development of Parathyroid Hypertensive Factor technology related to cardiovascular therapies. Amortization of developments costs have commenced based on the start of commercial production of the product within the fiscal year. The costs are amortized on a straight-line basis over a 5 year period based on recoverability of unamortized deferred development costs. During the year, \$271,201 (2004 - \$nil) was expensed as amortization on deferred development costs.

The recoverability of unamortized deferred development costs are evaluated, at least on an annual basis based on projected future revenues net of associated costs, on a product-by-product basis. When such review indicates that estimated future cash flows or benefits associated with these deferred costs would not be sufficient to recover their carrying value, the excess of the carrying value over estimated recoverable amount will be recognized as an impairment loss and charged to expense in the period that impairment has been determined.

Research and development

Research and development expenditures (except for property and equipment) are charged to the expenses as incurred unless a development project meets the Canadian generally accepted accounting criteria for deferral and amortization.

Investment tax credits

Investment tax credits relating to qualifying scientific research and experimental development expenditures that are recoverable in the current year are accounted for as a reduction in the related expenditures. Investment tax credits not recoverable in the current period are accrued provided there is reasonable assurance that the credits will be realized.

Lease inducement

The Company recognizes rental expense on premises on a straight line basis over the initial term of the lease. Lease inducements received by the Company as free rent periods are deferred and amortized on a straight-line basis over the term of the lease as a reduction in rental expense.

Financial instruments

a) Fair value

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accruals, and obligations under capital leases. The fair values of all financial instruments approximate their carrying values.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

2. Summary of significant accounting policies (cont'd)

b) Interest rate risk

The demand loan and bank indebtedness is subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate.

c) Foreign currency risk

The Company has cash, prepaid expenses, and accounts payable that are denominated in foreign currencies and thus is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. It is management's opinion that foreign currency risk is not significant.

d) Credit risk

The Company's exposure to credit risk relates to accounts receivable and arises from the possibility that a counterparty does not fulfil its obligations. This is minimized through a customer base predominantly comprised of well established, reliable retailers and wholesalers, a program of credit valuation of new customers, and limits on the amount of credit extended as deemed necessary. The Company performs continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. It is management's opinion that there is no significant credit risk at September 30, 2005.

Impairment of long-lived assets

Impairment of non-monetary long-lived assets, including property and equipment, intangible assets and other assets subject to amortization, is recognized when the carrying amount of an asset may not be recoverable. Recoverability is determined by comparing the carrying amount of the asset to the undiscounted future cash flows expected from use and eventual disposition of the asset. In such situations, the asset is measured at its fair value and presented in the balance sheet at the lower of the fair value or carrying amount. This policy did not have any impact on the financial statements as at September 30, 2005.

Earnings per share

The computation of basic earnings per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution that would occur if stock options and warrants were exercised and debentures converted. The Company applies the if-converted method for convertible debentures which assumes conversion into common shares outstanding since the beginning of the year. The Company uses the treasury method for outstanding options and warrants which assumes that all outstanding stock options and warrants with an exercise price below the average market prices are exercised and assumed proceeds are used to purchase the Company's common shares at the average market price during the year.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

2. Summary of significant accounting policies (cont'd)

Income taxes

Income taxes have been provided using the liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and law that will be in effect when the differences are expected to reverse.

Stock-based compensation

The Company has adopted the Canadian accounting standard outlined in the CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments." As permitted by the standard, this policy has been adopted retroactively effective October 1, 2004 without restatement of prior periods financial statements. This new section provides for the fair value method to record stock-based compensation expense with respect to stock options granted on or after October 31, 2002. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. As a result, the Company adjusted its opening retained earnings for \$1,859,716 in fiscal 2005 to reflect the cumulative effect of the change to prior periods.

Prior to October 1, 2004, the Company had chosen not to recognize the compensation expense when stock options were granted to employees, officers and directors at the prevailing market price and where there were no cash settlement features. As permitted by the CICA standard for stock-based compensation and other stock-based payments, the Company applied this change prospectively for new awards granted on or after October 1, 2002.

3. Acquisition of ChemBioPrint Asia Limited

On August 15, 2005, the Company acquired substantially all remaining issued and outstanding shares of ChemBioPrint Asia Limited for a total cash consideration of \$143,837. 0.9% of these shares (\$401 of non-controlling interest) remain outstanding; the company which is the holder of these shares is no longer in existence. ChemBioPrint Asia Limited holds the licensing rights to use ChemBioPrint technology, to develop, distribute and sell COLD-fX® and other ChemBioPrint products in Asia. The purpose of this acquisition was to reacquire the licensing rights and discontinue operations. After elimination of intercompany balances, the following fair value was assigned to the assets and liabilities of ChemBioPrint Asia Limited:

Cash	\$ 5,229
Prepaid expense	1,084
Liabilities	2,455

The purchase of the remaining shares of ChemBioPrint Asia Limited resulted in acquisition costs of \$137,922.

CV Technologies Inc.
Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

4. Patents and registered trademarks

<u>September 30, 2005</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Patents	\$ 1,223,325	\$ 454,329	\$ 768,996
Registered trademarks	<u>166,465</u>	<u>58,757</u>	<u>107,708</u>
	<u>\$ 1,389,790</u>	<u>\$ 513,086</u>	<u>\$ 876,704</u>
<u>September 30, 2004</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Patents	\$ 1,176,818	\$ 392,870	\$ 783,948
Registered trademarks	<u>114,037</u>	<u>44,113</u>	<u>69,924</u>
	<u>\$ 1,290,855</u>	<u>\$ 436,983</u>	<u>\$ 853,872</u>

During the year, the Company recorded patents and trademarks amortization expense of \$76,102 (2004 – \$66,659).

5. Property and equipment

<u>September 30, 2005</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 161,972	\$ 76,832	\$ 85,140
Computer hardware	189,052	32,621	156,431
Computer software	124,564	39,504	85,060
Lab equipment	143,957	18,860	125,097
Automobiles	44,788	6,719	38,069
Equipment under capital leases	<u>52,434</u>	<u>22,468</u>	<u>29,966</u>
	<u>\$ 716,767</u>	<u>\$ 197,004</u>	<u>\$ 519,763</u>
<u>September 30, 2004</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 131,317	\$ 67,931	\$ 63,386
Computer hardware	59,844	15,610	44,234
Computer software	56,122	28,777	27,345
Lab equipment	8,566	650	7,916
Equipment under capital leases	<u>62,232</u>	<u>4,553</u>	<u>57,679</u>
	<u>\$ 318,081</u>	<u>\$ 117,521</u>	<u>\$ 200,560</u>

During the year, the Company recorded property and equipment amortization expense of \$97,784 (2004 - \$33,787).

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

6. Bank indebtedness

The Company's bank indebtedness consists of bank overdrafts and cheques issued in excess of funds on deposit. Bank overdraft amounts, if any, are subject to the same terms and conditions as discussed in Note 7 below.

7. Demand loan

The Company has a demand operating line of credit up to a maximum of \$7,500,000 based on accounts receivable and research and development scientific tax credits. As of the year end, the Company had drawn \$nil on the line of credit (September 30, 2004 - \$1,275,000). The operating line bears interest at Royal Bank of Canada prime rate plus 0.75% per annum. The collateral security lodged by the Company to support the operating line of credit is a General Security Agreement constituting a first ranking security interest in all personal property of the Company.

8. Debenture payable

During the 2004 fiscal year, the Company had a debenture 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 accrued interest thereon was converted at the option of the holder for 3,050,977 common shares of the Company at a price of \$0.10 per share.

9. Obligations under capital leases

The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases:

2006	\$ 31,121
2007	23,127
2008	2,239
2009	1,518
2010 and thereafter	<u>219</u>
Total minimum lease payments	58,224
Less: amounts representing interest at a weighted average rate of 14.78%	<u>5,162</u>
Balance of obligations under capital leases	53,062
Less: current portion	<u>25,123</u>
Long term balance of obligations under capital leases	<u>\$ 27,939</u>

CV Technologies Inc.
Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

10. Non-controlling interest

In 2004, the non-controlling interest represented the 42.6% equity interest of the minority shareholders in the Company's subsidiary, ChemBioPrint Asia Limited. In 2005, the Company acquired substantially all, 99.1%, remaining issued and outstanding shares (Note 3). The non-controlling interest share of subsidiary loss of \$121 and equity balance of \$401 have not been presented for the September 30, 2005 statement of earnings and balance sheet respectively as they are not considered material.

11. Share capital

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, 2003	77,283,160	\$ 17,257,905
Conversion of convertible debenture	3,050,977	305,098
Exercise of options	615,689	114,327
Exercise of warrants	<u>10,638,375</u>	<u>1,156,337</u>
Balance September 30, 2004	91,588,201	\$ 18,833,667
Exercise of options	5,729,970	1,694,078
Exercise of warrants	<u>3,870,000</u>	<u>457,000</u>
Balance September 30, 2005	<u>101,188,171</u>	<u>\$ 20,984,745</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 19,170,442 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 September 30, 2005 there are 16,180,770 (September 30, 2004 - 17,294,444) stock options outstanding, which are exercisable at prices ranging from \$0.10 to \$2.84 and expire between June 15, 2006 and July 18, 2010. A summary of the status of the Company's stock options for the years presented and changes during the years ended on those dates are as follows:

CV Technologies Inc.
Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

11. Share capital (cont'd)

September 30, 2005

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	17,294,444	\$ 0.37
Granted	4,769,000	2.83
Reinstated	4,546	0.29
Forfeited/cancelled	(157,250)	1.13
Exercised	<u>(5,729,970)</u>	<u>0.30</u>
Outstanding, end of year	<u>16,180,770</u>	<u>\$ 1.11</u>
Exercisable, end of year	<u>11,442,770</u>	<u>\$ 0.40</u>

September 30, 2004

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	13,139,606	\$ 0.17
Granted	8,760,527	0.69
Reinstated	10,000	0.25
Forfeited/cancelled	(375,000)	0.59
Exercised	(615,689)	0.18
Expired	<u>(3,625,000)</u>	<u>0.45</u>
Outstanding, end of year	<u>17,294,444</u>	<u>\$ 0.37</u>
Exercisable, end of year	<u>5,188,556</u>	<u>\$ 0.37</u>

The following vesting matrix, based on gross annual sales and common stock price, applies to all stock options granted after October 1, 2002 and before March 3, 2005:

<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

As of March 31, 2005, all criteria of the vesting matrix have been achieved and therefore related options have fully vested.

All options granted after March 3, 2005 will vest at 20% per year over 5 years.

CV Technologies Inc.
Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

11. Share capital (cont'd)

The following table summarizes information about the stock options outstanding at September 30, 2005:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Remaining Contractual Life (years)</u>	<u>Number Exercisable</u>
\$ 0.10	170,000	1.66	170,000
0.15	5,878,158	2.60	5,878,158
0.20	195,000	2.72	195,000
0.23	160,000	0.71	160,000
0.50	250,000	3.80	250,000
0.57	230,000	3.84	230,000
0.71	959,085	3.27	959,085
0.74	3,600,527	3.61	3,600,527
2.62	250,000	4.80	-
2.84	4,488,000	4.42	-
	<u>16,180,770</u>		<u>11,442,770</u>

Warrants

The Company has no warrants outstanding at September 30, 2005. The Company had 3,870,000 warrants outstanding at September 30, 2004. These warrants were exercisable at the option of the holder into common shares at a price ranging from \$0.10 to \$0.12 per share and expired November 29, 2004 and May 13, 2005.

A summary of the status of the Company's warrants as of September 30, 2005 and September 30, 2004, and changes during the period ending on those dates is presented below:

September 30, 2005

	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	3,870,000	\$ 0.12
Exercised	<u>(3,870,000)</u>	<u>0.12</u>
Outstanding, end of year	<u>-</u>	<u>\$ -</u>
Exercisable, end of year	<u>-</u>	<u>\$ -</u>

CV Technologies Inc.
Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

11. Share capital (cont'd)

Warrants (cont'd)

September 30, 2004

	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	14,508,375	\$ 0.11
Exercised	<u>(10,638,375)</u>	<u>0.11</u>
Outstanding, end of year	<u>3,870,000</u>	<u>\$ 0.12</u>
Exercisable, end of year	<u>3,870,000</u>	<u>\$ 0.12</u>

12. Contributed surplus

For stock options granted after October 1, 2004, the Company records compensation expense using the fair value method. Fair values are determined using the Black-Scholes option pricing model. Compensation costs are recognized over the vesting period as an increase to stock based compensation expense and contributed surplus. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital. During the year, contributed surplus has changed as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 71,558	\$ -
Retroactive application of stock-based compensation according to CICA 3870 (Note 2)	1,859,716	-
Stock-based compensation recognition of fair value of stock options granted to:		
- Employees, officers and directors	2,822,040	-
- Non-employees	<u>119,754</u>	<u>71,558</u>
Balance, end of year	<u>\$ 4,873,068</u>	<u>\$ 71,558</u>

On March 3, 2005, the Company granted 4,519,000 options exercisable at \$2.84. The compensation expense is recognized over the five year vesting period of the options. For the 518,887 options calculated as vested for fiscal 2005, the Company has recorded stock-based compensation expense of \$1,276,461. The fair value of the options granted was \$2.46 per option, estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.75%, dividend yield of 0%, volatility factor of 129.61%, and an expected life of 5 years.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

12. Contributed surplus (cont'd)

On July 18, 2005, the Company granted 250,000 options exercisable at \$2.62. The compensation expense is recognized over the five year vesting period of the options. For the 10,274 options calculated as vested in fiscal 2005, the Company has recorded stock-based compensation expense of \$23,014. The fair value of the options granted was \$2.24 per option, estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.00%, dividend yield of 0%, volatility factor of 126.72%, and an expected life of 5 years.

Prior to October 1, 2004, the Company had chosen not to recognize the compensation expense when stock options were granted to employees, officers and directors. As required per the CICA's standards for stock-based payments for options granted after October 31, 2002, disclosure of the impact on earnings and earnings per share, as if the fair value based method of accounting for the stock-based compensation had been applied is shown in the chart below with 2005 comparative figures.

The 2005 amounts have not been presented because stock-based compensation for the current year has been accounted for using the fair value based method.

	<u>2004</u>
Net earnings as reported for the year	\$ 150,918
Pro forma current year compensation cost	<u>(1,719,792)</u>
Pro forma (loss) for the year	<u>(1,568,874)</u>
Earnings per share as reported – basic and diluted	\$ 0.00
Pro forma loss per share – basic and diluted	\$ (0.02)

The fair value of the options granted prior to October 1, 2004 was \$0.50 per option, estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.25%, dividend yield of 0%, volatility factor of 115.6%, and an expected life of 3 years.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option-pricing models require the use of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective assumptions can have a material effect on the fair value estimate, in management's opinion, the existing option-pricing models do not necessarily provide a reliable single measure of the fair value of the employee stock options.

CV Technologies Inc.
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Years Ended September 30, 2005 and 2004

13. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

	<u>2005</u>	<u>2004</u>
Numerator for basic earnings per share	\$ 10,093,238	\$ 150,918
Denominator for basic earnings per share:		
Weighted average number of common shares	<u>97,453,888</u>	<u>87,826,426</u>
Dilutive effect of stock options	11,998,473	2,501,727
Dilutive effect of warrants	<u>1,158,215</u>	<u>4,291,919</u>
Denominator for diluted earnings per share	<u>110,610,576</u>	<u>94,620,072</u>
Earnings per share		
Basic	\$ 0.10	\$ 0.00
Diluted	\$ 0.09	\$ 0.00

The convertible debenture had an anti-dilutive effect on earnings per share in prior year.

14. Supplemental cash flow information

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents consist of:		
Balances with banks	\$ 5,996,513	\$ 24,669
Cheques issued in excess of funds on deposit	<u>(44,532)</u>	<u>(205,639)</u>
	<u>\$ 5,951,981</u>	<u>\$ (180,970)</u>
Interest paid	<u>\$ 35,034</u>	<u>\$ 45,591</u>
Non-cash financing and investing activity:		
Purchase of assets under capital leases	<u>\$ 17,938</u>	<u>\$ 62,232</u>
Conversion of debenture payable to share capital (Note 8)	<u>\$ -</u>	<u>\$ 305,098</u>
Proceeds accrued for insurance claim	<u>\$ 54,835</u>	<u>\$ -</u>

CV Technologies Inc.
Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

15. Related party transactions

During the year, the Company paid \$30,080 (2004 - \$nil) in supplemental study fees on behalf of Vet Ex Inc., which is controlled by the Company. As at September 30, 2005, 60% of this transaction has been eliminated through consolidation and the remaining balance is included in accounts receivable.

During the year, interest of \$nil (2004 - \$21,957) was incurred on a debenture owing to a director of the Company (Note 8). During the last fiscal year, this debenture was converted into common shares of the Company.

The related party transactions occurred during normal course of operations and were measured at their exchange amounts, which was the consideration established and agreed to by the related parties.

16. Income taxes

Scientific research and experimental development (SR & ED)

The Company has accumulated a Scientific Research and Experimental Development pool of \$3,065,580 which can be carried forward indefinitely to be utilized in computing taxable income in future years. The Company has non-refundable SR & ED investment tax credits of approximately \$706,277. The SR & ED claim for 2005 has not yet been filed and the SR & ED claims for 2003 and 2004 have not yet been assessed.

Non-capital loss

The Company has non-capital losses available of \$187,035. These losses are available to reduce income tax in future years and if not utilized will expire in 2010.

Income tax expense reconciliation

Income tax expense differs from the amount computed by applying the statutory provincial and federal income tax rates to the respective years' earnings before income taxes. These differences result from the following items:

	<u>2005</u>	<u>2004</u>
Expected income tax expense (recovery) at 33.68% (2004 - 34.59%)	\$ 2,874,882	\$ 52,203
Increase (decrease) resulting from:		
Loss attributable to foreign subsidiary	48,231	5,209
Income tax rate adjustments	1,717	144,387
Non-deductible costs	999,501	31,477
Non-capital loss carry-over adjustments	-	576,804
SR & ED adjustments	(425,833)	(249,441)
Other	(11,915)	(3,729)
Change in valuation allowance	<u>(5,043,954)</u>	<u>(556,910)</u>
Income tax recovery	<u>\$ (1,557,371)</u>	<u>\$ -</u>

CV Technologies Inc.
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Years Ended September 30, 2005 and 2004

16. Income taxes (cont'd)

Temporary differences

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future tax years that are likely to be realized.

The tax effects of deductible temporary differences that give rise to the Company's future tax assets are as follows:

	<u>2005</u>	<u>2004</u>
Current		
SR & ED expenditures carried forward	\$ 1,499,475	\$ 1,239,548
Non-capital losses carried forward	-	3,605,897
Share issue costs	3,907	8,406
Reserves	<u>4,963</u>	<u>-</u>
	<u>1,508,345</u>	<u>4,853,851</u>
Non-current		
Capital and other assets	45,118	173,291
Share issue costs	<u>3,908</u>	<u>16,812</u>
	<u>49,026</u>	<u>190,103</u>
Total future tax asset	1,557,371	5,043,954
Less: valuation allowance	<u>-</u>	<u>(5,043,954)</u>
Net future tax asset	<u>\$ 1,557,371</u>	<u>\$ -</u>

A valuation allowance is recognized to the extent that recoverability of future tax assets is not considered more likely than not.

17. Segmented information

Segmented information has not been disclosed as the Company is operating within one operating segment.

Geographic information:

<u>September 30, 2005</u>	<u>Revenue</u>	<u>Property and Equipment</u>
Canada	\$ 31,741,576	\$ 519,763
Other	<u>108,536</u>	<u>-</u>
	<u>\$ 31,850,112</u>	<u>\$ 519,763</u>

CV Technologies Inc.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

17. Segmented information (cont'd)

<u>September 30, 2004</u>	<u>Revenue</u>	<u>Property and Equipment</u>
Canada	\$ 6,178,574	\$ 197,194
Other	<u>238,158</u>	<u>3,366</u>
	<u>\$ 6,416,732</u>	<u>\$ 200,560</u>

Significant customers:

During the year, four (2004 - five) major customers accounted for \$20,539,228 or 64.5% (2004 - \$4,130,229 or 64.4%) of the Company's product sales. As at year end, two customers represented 37.3% and 26.1% (2004 - 42.2% and 15.2%) of total accounts receivable.

18. Commitments

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. 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, 2002, 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.

During the year, the Company expensed \$508,772 (2004 - \$96,984) of this financial assistance, which was charged to earnings. At September 30, 2005, \$138,100 (2004 - \$96,984) is included in accounts payable and accruals. Up to September 30, 2005, the Company has expensed \$637,515 since inception relating to this agreement.

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 September 30, 2005, \$8,333 (2004 - \$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 200% of the original contribution amount or to a maximum of \$1,000,000. The Company is not obliged to repay any of the assistance received should the Company have no future revenues on product sales.

During the year, the Company expensed \$508,772 (2004 - \$96,984) of this financial assistance, which was charged to earnings. At September 30, 2005, \$138,100 (2004 - \$96,984) is included in accounts payable and accruals. Up to September 30, 2005, the Company has expensed \$643,881 since inception relating to this agreement.

CV Technologies Inc.
Notes to the Consolidated Financial Statements

Years Ended September 30, 2005 and 2004

18. Commitments (cont'd)

c) The Company has entered into an agreement to lease a premises in Edmonton, Alberta requiring minimum annual lease payments of \$47,254 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.

d) The Company has entered into an agreement to lease a premises in Toronto, Ontario requiring minimum annual lease payments of \$31,200 for the first year, \$39,000 for the second and third year and \$54,600 for the fourth and fifth year. In addition, the Company must pay a proportionate share of common area costs. The initial lease term expires September 30, 2010.

e) The Company has entered into an agreement to lease a premises in Edmonton, Alberta requiring minimum lease payments of \$99,000 in the next fiscal year. The initial lease term expires June 30, 2006.

f) The Company has entered into an agreement to lease a premises in Edmonton, Alberta requiring minimum lease payments of \$12,600 in the next fiscal year. The initial lease term expires June 30, 2006.

19. 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, liabilities, revenue, expenses and cash flows of Vet Ex Inc. included in these consolidated financial statements.

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ <u>22,519</u>	\$ <u>22,558</u>
Liabilities		
Accounts payable and accruals	\$ <u>77</u>	\$ <u>77</u>
Product sales, expenses and cash flows for the period ended		
Product sales	\$ _____ -	\$ <u>1,107</u>
Expenses		
Interest and bank charges	39	33
Quality control, research and development	<u>18,048</u>	-
Net (loss) earnings	\$ <u>(18,087)</u>	\$ <u>1,074</u>
Cash flows		
Cash flows from operating activities	\$ <u>(18,087)</u>	\$ <u>4,666</u>

CV Technologies Inc.

Notes to the Consolidated Financial Statements

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20. Lease settlement

During the year, the Company settled outstanding liabilities from a lease agreement for its Calgary premises. The consideration included the rental deposit and a one-time cash payment with a resulting expense of \$151,103.

21. Comparative figures

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