

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter 2005

June 30, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in Canada. These accounting principles require us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and assumptions upon which it relies are reasonably based on information available at the time that these estimates and assumptions were made. These estimates and assumptions have been discussed with the audit committee of the Board of Directors of CV Technologies Inc. Actual results may differ under different assumptions and conditions. The following information should be read in conjunction with the Audited Consolidated Financial Statements for the year ended September 30, 2004 and the Unaudited Consolidated Financial Statements for the nine month period ended June 30, 2005 and accompanying notes. All amounts are expressed in Canadian dollars.

This discussion and analysis for the nine month period ended June 30, 2005 is prepared and contains disclosure of material changes occurring up to and including July 29, 2005

Forward-looking statements

Management's discussion and analysis contains certain forward-looking statements that are subject to risks and uncertainties that may cause actual results or events to differ materially from the results or events predicted in this discussion. In addition to the risks outlined in the Risk Management section at the end of the discussion, factors which could cause actual results or events to differ include, but are not limited to: the impact of competition; consumer confidence and spending levels; general economic conditions; interest and currency exchange rates; unseasonable weather patterns; the cost and availability of capital; the cost and availability of grants/funding; and product development. No assurance can be given that the results, performance or achievements expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

Overview

CV Technologies Inc. ("CVT" or the "Company") is a life sciences and technology company, based in Edmonton, Alberta, Canada. CVT has developed, commercialized, and patented a proprietary technology, known as ChemBioPrint, which is used to discover and biologically standardize natural products that deliver consistent, verifiable and provable health benefits. Using the ChemBioPrint technology, the Company's scientists are able to ensure that the creation and scientific substantiation of its natural health products are safe, effective and consistent. CVT is committed to using a pharmaceutical development approach (rigorous drug discovery and testing methods) to develop natural therapeutics for health maintenance and disease prevention. Its efforts in scientific research and product innovation are key factors enabling CVT to secure the trust of consumers, trade professionals, healthcare practitioners, and government.

CVT's lead product, COLD-fX®, is designed to prevent and treat colds and flu by strengthening the immune system. All CVT products are designed to support normal physiological/body functions with a user-friendly, natural compound. Utilizing its patented ChemBioPrint technology, CVT has developed and commercialized a selection of premium quality natural health products for health maintenance and disease prevention.

- COLD-fX® Supports, strengthens, and stimulates the body's immune system
- REMEMBER-fX® Relieves brain fatigue and improves memory
- CELL-fX® Soothes sore joints and normalizes cell growth
- PRESSURE-fX® Supports cardiovascular function and helps maintain healthy blood pressure levels
- AD-fX® Supports concentration and cognition
- MENTA-fX® Normalizes mood states and improves confidence

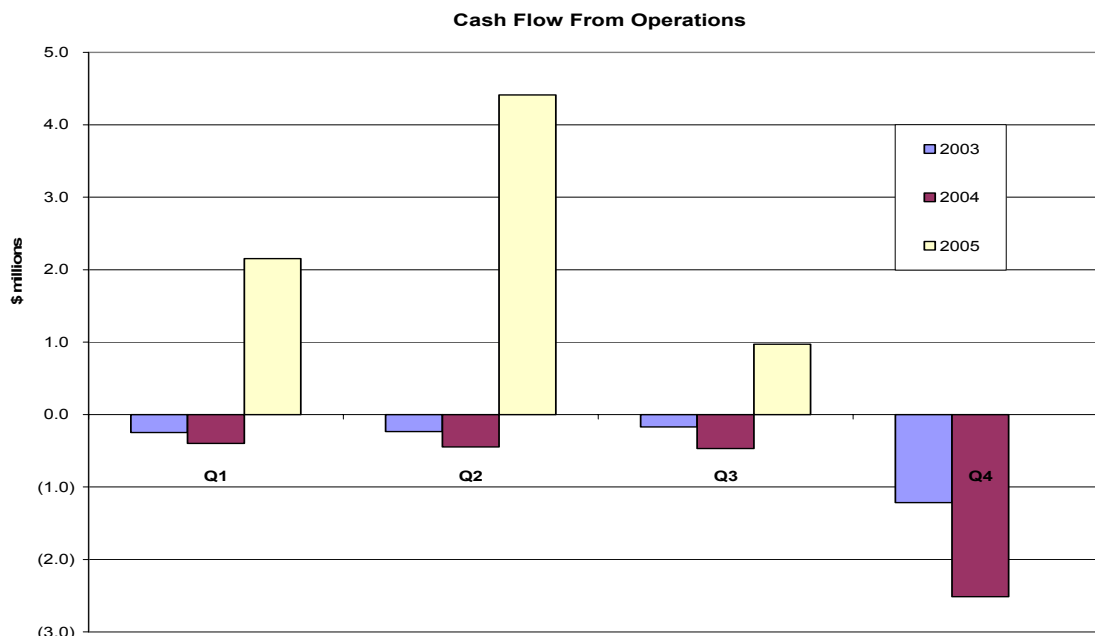


Liquidity and Capital Resources

The cash flow generated from operations, excluding non-cash working capital items, was \$218 thousand for the third quarter (\$9.5 million year-to-date for fiscal 2005). These results compare favorably to the use of cash of \$10 thousand for the same quarter last year (generation of \$42 thousand year-to-date last year). Strong seasonal sales and gross margin in the third quarter contributed to this result. On a year-to-date basis cash flow from operations in 2005, excluding non-cash working capital items was \$0.098 per share or \$0.086 cents fully diluted (2004 – use of cash \$0.000 per share for basic and diluted earnings).

Comparative liquidity (in thousands)			
	Quarter 2 June 30, 2005	Quarter 2 June 30, 2004	Fiscal Year Sep 30, 2004
Bank indebtedness	0	239	181
Working capital	12,914	1,640	1,924
Long-term liabilities	96	69	108

Bank indebtedness consists of cheques issued in excess of funds on deposit and bank overdrafts. The Company has a demand operating credit facility of up to a maximum of \$7.5 million based on receivables, inventory, and tax credits. On June 14th 2005, CVT obtained an increase in its bank revolving demand operating facility from \$2.5 million to \$7.5 million in preparation for the fall and winter cold and flu season. The Company has not utilized its credit facility as shown in the working capital summary above. The Company was in a positive cash position of \$7.6 million as of June 30th, 2005. The Company enjoys a significant improvement in working capital from the same quarter in the previous year. Cash flow from operations including working capital items is illustrated in the following chart.



Major cash flow components (in thousands)	Quarter 3 June 30, 2005	Quarter 3 June 30, 2004	Fiscal year YTD June 30, 2005	Fiscal year Sep 30,2004	Fiscal Year Sep 30, 2003
Operating activities	964	(469)	7,524	(2,513)	(1,214)
Financing activities	249	30	616	2,539	1,391
Investing activities	(176)	(66)	(358)	(190)	(205)

Cash provided from operating activities during the third quarter of fiscal year 2005 was \$1.0 million. The net change of \$1.5 million from a use \$0.5 million in 2004 to \$1.0 generated from operations. This improvement was primarily attributed to a \$3.7 million reduction in accounts receivables, an offsetting increase in inventory of \$2.7 million, and an adjustment for the non-cash stock compensation expense of \$0.6 million during the quarter and \$0.1 million amortization items. Net changes in non-cash working capital items provided cash of \$746 thousand compared to \$458 thousand used in the third quarter of the prior year. Net cash provided in operating activities in the third quarter year-to-date was \$7.5 million in fiscal year 2005 versus a net use of cash (\$1.3 million) in fiscal year 2004. The largest component of this year-to-date change relates to the substantial increase in sales over the prior year whereby accounts receivable and payables have increased accordingly.

The Company's financing activities in the third quarter of fiscal 2005 provided \$249 thousand (\$30 thousand in fiscal 2004) of cash during the quarter. The financing activity was primarily composed of a \$254 thousand issuance of capital stock through the exercise of stock options (941,021 common shares at an average of \$0.27 per share).

The Company's investing activities in the third quarter used \$176 thousand (\$66 thousand in fiscal year 2004). Investing activities primarily consisted of computer and laboratory equipment purchases and the acquisition of patents and trademarks in support of its business strategy. Expenditures for Patents and Registered Trademarks were incurred in the protection and development of its intellectual property.

Moving forward, the Company expects the existing cash balances, cash generated by operations, and funds available under the credit facility will be sufficient to meet the foreseeable requirements for business growth, working capital, and capital expenditures for the remainder of fiscal year 2005. The Company's working capital and capital expenditure requirements depend upon numerous factors including the success of new product introductions, market development programs and long term focus on product research and development activities. In the future, the Company may develop requirements for additional capital to fund operations, capital asset additions, research and development, and strategic initiatives.

Share capital and stock based compensation

The Company has adopted and applied the new CICA 3870 standard for stock-based compensation and other stock-based payments. The Company has selected the method of retroactive application without restatement of prior periods during the transitional period.

As a result, adjustment of \$1.86 million was applied to the opening deficit in the first quarter of the fiscal year 2005. During the third quarter of the fiscal year of 2005, as required by CICA's new standard, a non-cash expense of \$0.6 million (\$2.4 million year-to-date) was recognized to reflect the fair value of stock options granted.

On March 3, 2005, the Board granted 4,519,000 options for common shares exercisable at a fair market value of \$2.84 per share and which vest at 20% per year. The value of options granted was \$11.1 million or \$2.46 per option. In fiscal year 2005, an additional compensation expense of \$1.3 million will be incurred. This cost is a non-cash expense.



Outstanding Shares

As at July 29, 2005;

- Number of issued and outstanding common Class A shares 100,467,171
- Number of outstanding, unexercised stock options 16,761,520
(Exercise price ranges from \$0.10 to \$2.84 per share with expiration dates ranging from 2005 to 2010)

Results of Operations (Historical and Current)Profitability

Net income was a loss \$466 thousand (\$55 loss for same quarter last year). The company maintained a positive cash flow from operations (with and without non-cash working capital items) during this expected seasonal contraction in demand for its lead product COLD-fX®. An analysis of these results follows. Year-to-date net income was \$6.8 million compared to a loss of \$59 thousand in 2004.

Revenue

The Company reported net sales of \$2.8 million for the third quarter, exceeding the \$1.2 million in the same quarter of fiscal year 2004. Year-to-date net sales were \$24.7 million (\$4.1 million in 2004). This accomplishment was achieved through an increase in the volume of sales of CVT's lead product – COLD-fX®, through national retail partnerships with major Canadian retailers, increasing sales of REMEMBER-fX®, continued focus on marketing and advertising of CVT's lead products, and through significant product awareness programs resulting from mainstream media coverage and education of healthcare professionals. The number of retail doors through which product is distributed continues to grow. The Company continued to receive exposure on regional and national TV, word of mouth endorsements, third party validation and extensive publicity resulting from the success of its clinical trials. Targeted advertising and merchandizing has enhanced the Company's presence in the marketplace, while expanding the distribution channels.

COLD-fX® was the number one selling cold remedy in Canada over the latest 52- week period ending April 16, 2005, including the recent cold and flu season. (Client calculation based in part on Dollar Sales Data reported by ACNielsen, through its MarketTrack Drug Service, for Cold Remedies, Natural Supplements & Vitamins Category for the 52 week period ending April 16, 2005.) In addition, COLD-fX was the Number One selling item in Drug Store Retail Banners across Canada in the category group of cold remedies, natural supplements and vitamins. The Drug Store Retail Banners are CVT's primary distribution channel.

A comprehensive advertising and merchandizing campaign continued featuring national celebrity - Don Cherry, including radio, TV, newspaper and magazine ads along with extensive sponsorship arrangements within the athletic world.

Management set forth sales growth objectives for its fiscal year 2005 in the areas of sales, distribution, and operations. The achievement of the following objectives contributed to the 131% increase in sales quarter over quarter.

Due to more than a decade of clinical studies, research, science as well as the Company's patented ChemBioPrint technology, CVT is well positioned to respond to Health Canada's new Natural Health Products Directorate and the Natural Health Products Regulations.

In continuing to strengthen the science of its products, CVT is in a pre-clinical study to investigate the effects of CVT-E002 (the active ingredient in COLD-fX®) in treating immune deficiency related cancers as



part of its ongoing strategy to develop natural compounds for disease prevention and health maintenance. This pre-clinical study, which is being conducted in collaboration with McGill University in Montreal, Quebec, will investigate the potential of CVT-E002 to ameliorate leukemia caused by viral infection. The study seeks to provide a further detailed understanding of the effect of CVT-E002 on cancer killing mechanisms in relation to the immune system. The National Research Council (NRC) - Industrial Research Assistance Program (IRAP) has provided funding for the project.

Gross margin

The Company's third quarter gross margin improved from 72.5% in fiscal year 2004 to 79.3% in fiscal year 2005 (the year-to-date average for fiscal year 2005 was 76.9% compared to 72.4% in 2004). This was accomplished through a 131% increase in quarter-over-quarter sales and 495% increase in year-to-date sales, an increase in economies of scale, improved procurement and rigorous cost management.

The Company continued to certify additional vendors in the quality requirements necessary to manufacture its products. These same vendors must also meet the Good Manufacturing Practices set by Health Canada. The capacity of the Company's supply chain for ChemBioPrint products has been significantly expanded to meet increasing demand. The strategy to outsource production and logistical activities aims to further reduce fixed costs and maximize production capacity and flexibility. These strategies have contributed to a 6.8% improvement in gross margins quarter over quarter and 4.5% year over year.

Operating Expenses

The third quarter operating costs-to-sales percentage has increased from 77% to 97% on a quarter-over-quarter basis, and from 75% to 49% year-to-date with increased stock compensation expense, advertising and marketing, and fixed administrative costs. CVT continued to invest in its brand building, to prepare for the launch of new ChemBioPrint product. Operating expenses for the third quarter of fiscal year 2005 were \$2.8 million as compared to \$0.9 million in the prior year.

This \$1.8 million (190%) increase over the same quarter from the prior year is comprised of the following:

- Salaries and benefits and stock compensation expense increased \$0.9 million. The non-cash compensation expense of \$554 thousand was recorded in compliance to the CICA Handbook rule. The full vesting of stock options in Quarter 2 from achieving \$20 million in sales resulted in the recognition of the balance of stock compensation expense for options based on the vesting grid. Additional expense will continue with additional options issued March 3, 2005 which are based on vesting over 5 years. The increase in wages also reflects increases in the number of employees.
- Sales and marketing expenses increased by \$0.5 million. These expenditures were consistent with sales and marketing objectives for the quarter and year. Brand building efforts for COLD-fX® and REMEMBER-fX®, media investment and promotional activities during the previous two and current quarter has been instrumental in developing and sustaining the business. Some of these expenses are considered important in maintaining a presence in the market place. CVT is pleased of achieving the recognition of having its lead product Cold-fX ranked as the top selling inventory item within the cough and cold category. Traditionally, summer season is a critical period to plan and invest accordingly to prepare for the upcoming season and sustain the momentum.
- Quality control, clinical research, and development expenses for the third quarter increased by \$0.1 million over the same quarter of last year. Quality control costs increased quarter over quarter with the increase in sales, but at a lower rate of 10% (11% in third quarter of fiscal year 2004) as a result of improved economies of scale in product testing. In addition, costs were incurred in clinical research and development associated with ongoing studies. The Company is continuing its eighth clinical trial in co-operation with Capital Health of Edmonton and the



University of Alberta.

- Administration, occupancy and insurance costs increased by \$0.1 million. These costs were related to increased number of employees and expanded sales and operations.
- The company commenced amortization of deferred development costs at \$0.1 million per quarter.
- The balance of \$0.1 million was incurred in various operating expenditures and activities.

Summary of quarterly results (in thousands)				
Fiscal year 2005	1st Quarter Dec 31, 2004	2nd Quarter Mar 31, 2005	3rd Quarter Jun 30, 2005	4th Quarter Sep 30, 2005
Revenue	11,304	10,521	2,836	
Gross margin	8,001	7,997	2,250	
Gross margin %	70.8%	76.0%	79.3%	
Net earnings (loss)	4,196	3,081	(466)	
Earnings (loss) per share – Basic	\$0.05	\$0.03	(\$0.00)	
Earnings (loss) per share – Diluted	\$0.04	\$0.03	(\$0.00)	
Total assets	13,819	17,762	17,909	
Total Liabilities	3,998	2,356	2,162	
Fiscal year 2004	1st Quarter Dec 31, 2003	2nd Quarter Mar 31, 2004	3rd Quarter Jun 30, 2004	4th Quarter Sep 30, 2004
Revenue	1,756	1,164	1,227	2,270
Gross margin	1,192	748	841	1,446
Gross margin %	67.9%	64.3%	68.5%	63.7%
Net earnings (loss)	266	(269)	(55)	209
Earnings (loss) per share – Basic	\$0.00	(\$0.00)	(\$0.00)	\$0.00
Earnings (loss) per share – Diluted	\$0.00	(\$0.00)	(\$0.00)	\$0.00
Total assets	6,095	5,614	5,497	7,500
Total Liabilities	1,757	1,528	1,134	2,846
Fiscal year 2003	1st Quarter Dec 31, 2002	2nd Quarter Mar 31, 2003	3rd Quarter Jun 30, 2003	4th Quarter Sep 30, 2003
Revenue	474	498	269	302
Gross margin	298	312	182	119
Gross margin %	62.9%	62.7%	67.7%	39.4%
Net earnings (loss)	(199)	(185)	(477)	(935)
Loss per share – Basic	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Loss per share – Diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Total assets	4,704	4,590	4,712	3,452
Total Liabilities	950	923	948	596

The newly created Natural Health Products Directorate of Health Canada has given regulatory approval and issued CVT a Natural Product Number for CELL-fX®, a product for the prevention of joint deterioration and pain relief.

The opening of a sales and marketing office in Toronto was a commitment to aggressively develop Canadian business and to expand markets beyond CVT's strong base in Alberta and to service significant growth achieved in Ontario and expected in Quebec. CVT will focus on fully developing the Canadian market and continues to explore its options for expanding into international markets.

Management will continue to build inventory to meet the growing demand anticipated in late summer and fall and will continue to develop sales of COLD-fX® and REMEMBER-fX® through the summer. Currently, COLD-fX® inventories are sufficient to support \$30 million in sales and CVT has cash resources to accumulate additional inventory in preparation for the fall.



Subsequent Events

Subsequent to quarter-end and up to July 29, 2005, the company purchased 902,611 common shares in its subsidiary, ChemBioPrint Asia Limited ("CBP Asia"), for a total cash consideration of \$154,734. CVT had a non-controlling interest of 42.6% in CBP Asia, a company which holds rights to develop, distribute and sell COLD-fX® and other products in Asia. These rights are of significant strategic importance as CVT now owns Asian rights to current and future ChemBioPrint products. The share purchase resulted in the Company controlling CBP Asia.

Dr. Lei Ling was appointed Vice President, Product Development on July 19th, 2005 and is a member of the Executive Management Team.

Risks and Uncertainties

The Company is in the early commercialization stage with its lead natural health product, COLD-fX®. In order to gain a successful market share, CVT will be required to increase expenditures for advertising and public awareness programs. Future success will be dependent on these activities, mainstream media coverage, the effectiveness and safety of the Company's products, regulatory approval for its products and the degree of patent protection afforded to particular products. The Company maintains product liability insurance; however, it is possible that this coverage might not provide full protection against all risks. CVT has a well developed Quality Control and Quality Assurance program to ensure product quality.

Expectations about the Company's financial and scientific results could have a significant effect on the trading price of the Company's shares. Except for historical information, certain matters discussed in this report are by their nature forward-looking statements that involve risk and uncertainties, which may cause actual results to differ materially from the statements made.

Outlook

The third Quarter of fiscal 2005 was another strong quarter for sales and cash flow. CVT was able to maintain cash flows during the seasonal contraction of sales for cough and flu products. The Management Team and Employees have achieved significant progress in commitments to enhancing the Company's profitability in 2005 by maximizing the revenues, increasing product awareness, expanding distribution of all products while maintaining a strong cost management program. Management will continue its targeted marketing and commercialization approach of its products, development of the organization plan for profitable growth through increased staffing, sales and marketing, distribution and enhanced productivity. Management will work to enhance demand for REMEMBER-fX®.

In the fourth quarter, CV Technologies will continue to improve consumer awareness and education of health care professionals to fully develop its Canadian business and develop strategies to expedite its international growth objectives. Management will continue to build sales momentum with effective brand management, targeted sales and marketing efforts and mainstream media coverage and a focus on operational excellence in cost management and expansion of its supply chain management. CVT's R&D capacity will be expanded to strengthen the scientific claims for its products through clinical trials and expand its product pipeline. With stronger consumer and retail relationships, management is committed to making CVT's products, COLD-fX® and REMEMBER-fX®, strong performers within their categories.

Management is continuing to build inventory to meet growing demand anticipated in the late summer and fall. Management will focus on educating consumers on the year round preventative use of COLD-fX® and continue to promote REMEMBER-fX®. Preparations are well underway to will ensure sales momentum carries into 2006.



CV TECHNOLOGIES INC.

Quarterly Report for the Nine Month Period Ended

June 30, 2005

Management is confident that 2005 will be a year where CV Technologies Inc. will continue to prove that it is a leader in the discovery and commercialization of natural therapeutics for health maintenance and disease prevention and is a well recognized and respected supplier to consumers and the natural health products industry.

