

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. 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 which it relies upon 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, 2005 and the Unaudited Consolidated Financial Statements for the three month period ended December 31, 2005 and accompanying notes. All amounts are expressed in Canadian dollars, unless specified otherwise.

This discussion and analysis for the three month period ended December 31, 2005 is prepared and contains disclosure of material changes occurring up to and including February 5, 2006.

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 health sciences and technology company, founded in 1992 and headquartered 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. In 2003, CVT shifted from research and development to product commercialization. Using the ChemBioPrint technology, the Company's scientists are able to precisely identify the chemical profile and biological activity of natural products. The process involves a combination of chemical and pharmacological fingerprinting ensuring the creation and scientific substantiation of its natural health products are safe, effective and consistent. CVT is committed to using a pharmaceutical model (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. A U.S. FDA regulated Phase II Clinical Trial showed COLD-fx[®] reduces the risk of getting a cold or flu by 89%. 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.

CV Technologies Inc.

Quarterly Report for the Three Month Period Ended

December 31, 2005

These products are:

- COLD-fx[®] Strengthens the body's immune system
- REMEMBER-fx[®] Memory enhancement, mental alertness
- CELL-fx[®] Helps relieve symptoms of bone and joint pain and formation of connective tissue
- PRESSURE-fx[®] Helps normalize blood pressure and improve cardiovascular function
- AD-fx[®] Helps to enhance focus, attention, and cognition
- MENTA-fx[®] Helps normalize mood

Liquidity and capital resources

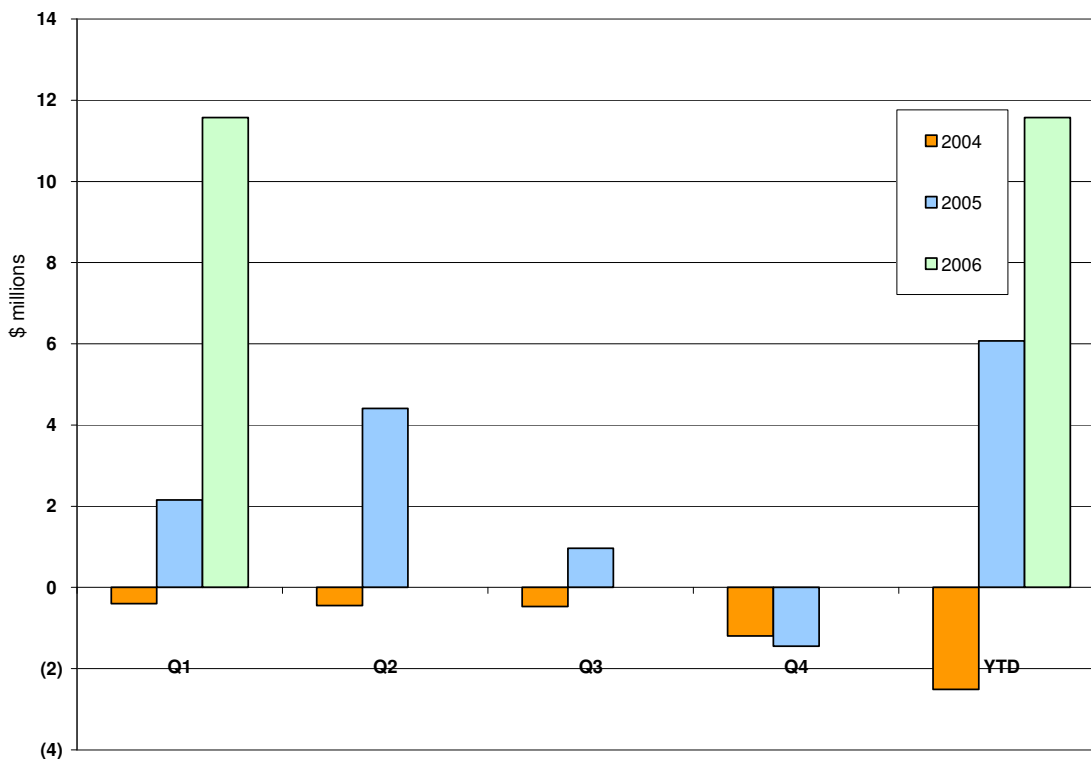
The cash flow generated from operations, excluding non-cash working capital items, was \$6.7 million for the first quarter. These results compare favorably to the generation of \$ 4.8 million in cash for the same quarter last year. Strong increasing sales and gross margin in the first quarter contributed to this result. Taxes payable were \$1.5 million. On a year-to-date basis, cash flow from operations in the first quarter 2006, excluding non-cash working capital items was \$0.067 per share or \$0.060 cents fully diluted (2005 – \$0.052 per share for basic and \$ 0.044 per share diluted).

Comparative liquidity (in thousands)	Quarter 1 Dec 31, 2005	Quarter 1 Dec 31, 2004	Fiscal Year Sep 30, 2005	Fiscal Year Sep 30, 2004
Cash and cash equivalents (indebtedness)	17,378	956	5,952	(181)
Working capital	22,398	6,947	16,928	1,924
Long-term liabilities	484	104	70	108

The Company has a demand operating credit facility to borrow to a maximum of \$7.5 million based on receivables, inventory, and tax credits. The Company has not needed to utilize its credit facility as shown in the working capital summary above. The Company was in a positive cash position of \$17.4 million as of December 31st, 2005. The Company also continues to strengthen its working capital position through strong earnings. As of December 31st, 2005, the Company had \$22.4 million in working capital. Cash flow from operations including working capital items is illustrated in the following chart.



Cash Flow From Operations



Major cash flow components (in thousands)	Quarter 1 Dec 31, 2005	Quarter 1 Dec 31, 2004	Fiscal year YTD Sep 30, 2006	Fiscal Year Sep 30, 2005	Fiscal Year Sep 30, 2004
Operating activities	11,573	2,150	11,573	6,124	(2,513)
Financing activities	21	869	21	855	2,539
Investing activities	(168)	(145)	(168)	(846)	(190)

Cash provided from operating activities during the first quarter of fiscal year 2006 was \$11.6 million. The net change from September 30, 2005 resulted from \$6.3 million (\$4.8 million in first quarter of fiscal year 2005) generated from operations before working capital items and \$5.3 million (a use of \$2.6 million in first quarter of fiscal year 2005) in changes in non-cash working capital items. This improvement from September 30, 2005 was primarily attributed to \$4.4 million in earnings, an adjustment of \$1.1 million in future taxes expense, an increase of \$1.2 million in taxes payable, a \$2.0 million increase in accounts payable, a decrease of \$2.1 million in accounts receivable, an increase of \$1.0 million in prepaid expenses for deposits on account in manufacturing, a decrease of \$0.9 million in inventory, \$0.6 million for the non-cash stock compensation expense, an increase in deferred revenue of \$0.1 million and \$0.2 million for amortization items.



The difference in quarter over quarter operating cash from operating activities provided cash of \$9.4 million. This resulted in from improved accounts receivable management and growing earnings.

The Company's financing activities in the first quarter of fiscal year 2006 provided \$21 thousand in cash (use of cash of \$869 thousand, net of a demand loan repayment, in same quarter fiscal year 2005). In the first quarter of 2005, \$1.3 million was utilized to repay the demand loan. The financing activity for 2006 was primarily composed of a \$26 thousand issuance of capital stock through the exercise of stock options (40,169 common shares at an average of \$0.668 per share). Repayment of leases in the first quarter was \$6 thousand compared to \$4 thousand in the same quarter in fiscal 2006.

The Company's investing activities in the first quarter used \$168 thousand (\$145 thousand in the first quarter of fiscal year 2005). 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.

Looking forward, the Company expects 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 2006. The Company's working capital and capital expenditure requirements depend upon numerous factors including the success of the introduction of new products, 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

In fiscal year 2005, the Company 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, an adjustment of \$1.86 million was applied to the opening deficit in the first quarter of the fiscal year 2005. During the first quarter of the fiscal year of 2006, a non-cash expense of \$0.6 million (2005 -\$0.5 million) was recognized to reflect the fair value of stock options granted.

On November 25, 2005, the Board granted 50,000 options for common shares exercisable at a fair market value of \$4.32 per share and vest at 20% per year. The fair value of options granted was \$182 thousand or \$3.64 per option.

The Board of Directors also approved a compensation model weighted more to cash with less reliance on stock options. The Board recognized that annual salaries must be competitive in the marketplace to enable the Company to retain talented employees and attract new, high quality employees who can add value and support the rapid growth the Company is now achieving.

An Employee Bonus Program was implemented effective for the fiscal year 2006. The Program is based on growing sales volumes and earnings. The Board believes these measures are appropriate at this stage of company development for employee compensation and to increase shareholder value.

Director compensation will also move to a cash based compensation system effective March 1, 2006. The



structure of director's fees will be as follows: Annual Retainer-\$5,000, Board meeting-\$1,000, Committee Chair-\$1,000, and Committee meeting-\$500.

Outstanding shares

As at Feb 5, 2006;

- Number of issued and outstanding common Class A shares 101,963,340
- Number of outstanding, unexercised stock options 15,355,601

(Exercise price ranges from \$0.10 to \$4.32 per share with expiration dates ranging from 2006 to 2010. The number of options for future issuance under the stock option plan is 100,009.)

Results of Operations (Historical and Current)

Profitability

Net income after tax was \$4.4 million (\$4.2 million for same quarter last year). Net income before tax was \$7.5 million (\$4.2 million for same quarter in fiscal 2005). The Company had established future tax assets in the fourth quarter of 2005 which resulted in an income tax recovery. In the first quarter of 2005, income tax expense was nil as loss carry forwards and SR&ED expenditures were applied. An analysis of components of the income statement is as follows.

Revenue

The Company reported net sales of \$18.9 million for the third quarter, exceeding the \$11.3 million in the same quarter of fiscal year 2005 by \$7.6 million (68%). This accomplishment was achieved through increased volume of sales of CVT's lead product COLD-fx[®], through national retail partnerships with major Canadian retailers, increasing sales of REMEMBER-fx[®] and CELL-fx[®], continuing 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 outlets through which product is distributed continues to grow with entry into Quebec and Ontario. With the mild flu season and sporadic and localized outbreaks, management believes good progress was made in expanding sales geographically and through brand building. 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 its distribution channels.

Management established growth objectives for its fiscal year 2006 in the areas of sales, distribution, and operations. The achievement of those objectives contributed to the 68% increase in sales quarter over quarter. For the 3 months ending December 25, 2005 the combined retail sales for all channels of cold remedies, vitamins and supplements increased 9 percent in dollars (ACNielsen). The Company's 68% growth in net sales compares favorably to these industry statistics. COLD-fx[®] was the number one selling cold remedy in Canada over the latest 52- week period ending November 30, 2005, and for the past year and a half. COLD-fx[®] continues to be the number one selling item in drug stores, CVT's primary distribution channel.



Gross margin

The Company's first quarter gross margin decreased from 73.9% in fiscal year 2005 to 70.8% in the first quarter of 2006. This change was the result of balancing of supply channels to ensure growth capacity and to mitigate risk. As well, additional costs were incurred for display materials as the Company expanded activities into new regions. The Company continues to focus on increased economies of scale, improved procurement and rigorous cost management.

The capacity of the Company's supply chain for ChemBioPrint products has been significantly expanded over the past year 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 strong supply line to meet growing demand.

Operating expenses

The first quarter operating costs-to-sales percentage has decreased from 37% to 32% on a quarter-over-quarter basis with improving economies of scale. CVT continued to invest in brand building and sales of its products. Operating expenses for the first quarter of fiscal year 2006 were \$6.0 million as compared to \$4.2 million in the prior year.

This \$1.8 million (44%) increase over the same quarter from the prior year is comprised of the following:

- Clinical studies and research and development expenses for the first quarter increased by \$0.6 million over the same quarter of last year. 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 and commenced multi-center clinical trial in seniors. The Company has also expanded its capacity to develop new products, manage intellectual property and manage the regulatory environment requirements associated with its products.
- 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[®], REMEMBER-fX[®] and CELL-fX[®], media investment and promotional activities during the previous two quarters and the current quarter has been instrumental in developing and sustaining the business. These expenses are important in maintaining a presence in the market place. CVT is pleased that its lead product COLD-fX[®] continues to be ranked as the top selling inventory item within the cough and cold category.
- Salaries and benefits and stock compensation expense increased \$0.3 million. Additional employees were hired in sales, operations, research and administration.
- 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 will be relocating to the Edmonton Research Park to increase office and laboratory space.
- The Company amortized deferred development costs at \$0.1 million per quarter. Amortization commenced in the second quarter of fiscal year 2005.



CV Technologies Inc.

Quarterly Report for the Three Month Period Ended

December 31, 2005

- The balance of \$0.2 million was incurred in various operating expenditures and activities. Expenditures were increased in business promotion and strategic planning in entering developing new markets.

Income taxes were \$3.0 million (2005 – nil). Due to the likelihood of recoverability CVT set up future tax assets for SR & ED expenditures carried forward and temporary timing at the end of fiscal year 2005. The tax losses carried forward were substantially recovered reducing taxes payable.

Summary of Quarterly Results

(in thousands)

Fiscal year 2006	1st Quarter Dec 31, 2005	2nd Quarter Mar 31, 2006	3rd Quarter Jun 30, 2006	4th Quarter Sep 30, 2006	Year to date Sept 30, 2006
Revenue	18,940				18,940
Gross margin	13,414				13,414
Gross margin %	70.8%				70.8%
Net earnings (loss)	4,416				4,416
Earnings (loss) per share – Basic	\$0.04				\$0.04
Earnings (loss) per share – Diluted	\$0.04				\$0.04
Total assets	32,318				32,318
Total liabilities	7,458				7,458
Fiscal year 2005	1st Quarter Dec 31, 2004	2nd Quarter Mar 31, 2005	3rd Quarter Jun 30, 2005	4th Quarter Sep 30, 2005	Year to date Sept 30, 2005
Revenue	11,304	10,521	2,836	7,189	31,850
Gross margin	8,355	8,352	2,250	5,162	24,119
Gross margin %	73.9%	79.4%	79.3%	71.8%	75.7%
Net earnings (loss)	4,196	3,081	(466)	3,282	10,093
Earnings (loss) per share – Basic	\$0.05	\$0.03	(\$0.00)	\$0.02	\$0.10
Earnings (loss) per share – Diluted	\$0.04	\$0.03	(\$0.00)	\$0.02	\$0.09
Total assets	13,819	17,762	17,909	23,717	23,717
Total liabilities	4,020	2,377	2,182	3,876	3,876
Fiscal year 2004	1st Quarter Dec 31, 2003	2nd Quarter Mar 31, 2004	3rd Quarter Jun 30, 2004	4th Quarter Sep 30, 2004	Year to date Sept 30, 2004
Revenue	1,756	1,164	1,227	2,270	6,417
Gross margin	1,299	814	890	1,544	4,547
Gross margin %	74.0%	69.9%	72.5%	68.0%	70.9%
Net earnings (loss)	266	(269)	(55)	209	151
Earnings (loss) per share – Basic	\$0.00	(\$0.00)	(\$0.00)	\$0.00	\$0.00
Earnings (loss) per share – Diluted	\$0.00	(\$0.00)	(\$0.00)	\$0.00	\$0.00
Total assets	6,095	5,614	5,497	7,500	7,500
Total liabilities	2,126	1,897	1,503	2,846	2,846

Management will continue to focus on developing sales for COLD-fx[®], REMEMBER-fx[®] and CELL-fx[®]. Currently, COLD-fx[®] inventories are sufficient to support \$30 million in sales and CVT has cash resources to accumulate additional inventory.



Research and development expenses

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 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.

The Canadian Medical Association Journal, regarded as one of the five top general medical journals in the world, published on October 25, 2005 a double-blind, placebo-controlled study on the prevention and relief of upper respiratory infections. The clinical trial was conducted on the anti-cold, anti-flu remedy, COLD-fX® by Edmonton's Medical Officer of Health and a senior Canadian researcher yielding results that were 'statistically highly significant'. The trial results show that COLD-fX® reduced the incidence and frequency of recurrent colds by more than half. It also cut the duration of colds and significantly reduced their severity.

The number of upper respiratory infections in each subject was significantly reduced by 25% in the COLD-fX® group during the 4-month treatment period. Even more impressive was the finding that recurrent infections were reduced by 56% (10.0% in the COLD-fX® group v. 22.8% in the placebo group, an absolute difference of 12.8%). COLD-fX® treatment also had a significant effect in reducing the total symptom score and the duration of infections. The incidence of adverse events was low and the prevalence was found to be similar between the two groups.

In October, the Company began a clinical study involving healthy seniors in Edmonton, Toronto and Vancouver to test the effects of COLD-fX® on influenza and cold viral infections. Edmonton's Medical Officer of Health heads the national study. He is collaborating with internationally recognized influenza expert and newly appointed Head of Geriatrics at University of British Columbia and Providence Health Care, Dr. Janet McElhaney, as well as infectious disease expert Dr. Andrew Simor, Head of Microbiology at Sunnybrook and Women's College Health Sciences Centre in Toronto.

Management and Board Update

In December, CVT was named the 2005 top performing company on the TSX Venture Exchange, the first ever ranking of Canada's top emerging public companies listed on the Exchange.

On December 8, 2005, the Board of Directors elected prominent Edmonton business leader Harry Buddle to the position of Vice-Chairman. Mr. Buddle is CEO of Capital City Savings. It has 41 locations, 166,000 members and \$2.5 billion in assets under management. Mr Buddle is a member the Audit Committee, Compensation Committee and Executive Committee.



Subsequent Events

The Company entered into two agreements to lease a premise in Edmonton, Alberta providing both office and laboratory space. These leases expire July 31, 2006 and January 31, 2009 respectively and have future minimum lease payments totalling \$360,780. After twelve months of compliance, the Company may terminate the second lease agreement with sixty days written notice.

In January 2006, 735,000 options were exercised for cash proceeds of \$142,500.

The Company has been conditionally approved for listing on the Toronto Stock Exchange.

Risks and Uncertainties

The Company is in the early growth stage with its lead natural health products, COLD-fx[®], REMEMBER-fx[®] and CELL-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 first quarter of fiscal 2006 continues the trend of quarter over quarter growth in sales and cash flow improvement. The Company is progressing in profitability through growing 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 in the Canadian market place. To attain this objective, the Company will increase staff, sales and marketing, distribution and productivity. Management will work to enhance demand for REMEMBER-fx[®] and CELL-fx[®].

In the second 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. The Company is currently exploring its opportunities and options to enter into international markets. With the recent publication in the Canadian Medical Association Journal on the prevention and relief of upper respiratory infections, awareness of COLD-fx[®] is beginning to spread internationally. Management will continue to build sales through effective brand management, targeted sales and marketing efforts and mainstream media coverage, focus on operational excellence in cost management, expand its supply chain management to meet growing demand, and expand awareness and sales of its products into Ontario and Quebec.

CVT's research and development capacity will continue to be expanded to strengthen the scientific



CV Technologies Inc.

Quarterly Report for the Three Month Period Ended

December 31, 2005

claims for its products through clinical trials and developing its product pipeline. With stronger consumer and retail relationships, management is committed to making its products, COLD-fX[®], REMEMBER-fX[®] and CELL-fX[®], strong performers within their categories.

Management will focus on educating consumers on the year-round preventative use of COLD-fX[®].

Management is confident that in 2006 CV Technologies Inc. will continue to prove its leadership in the discovery and commercialization of natural therapeutics for health maintenance and disease prevention, and will continue to be a well recognized and respected supplier to consumers and the natural health products industry.

