

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's interim 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 March 31, 2006 and accompanying notes. All amounts are expressed in Canadian dollars, unless specified otherwise.

This discussion and analysis for the three-month period ended March 31, 2006 is prepared and contains disclosure of material changes occurring up to and including May 4, 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, including those comments predicting the timing and/or initiation of clinical trials, clinical trial results, and associated regulatory clearances, entry and timing of entry into the U.S. market and the potential for success of such initiatives. 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. Although we believe that the forward-looking statements contained herein are reasonable, we can give no assurance that our expectations are correct and 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. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Overview

CV Technologies Inc. (the "Company") is a health sciences and technology company, founded in 1992 and headquartered in Edmonton, Alberta, Canada. The Company 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, the Company 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. The Company 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 the Company to secure the trust of consumers, trade professionals, healthcare practitioners, and government.

The Company's lead product, COLD-fX[®], is designed to prevent and treat colds and flu by strengthening the immune system. A United States Food and Drug Administration (FDA) regulated Phase II Clinical

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Trial showed COLD-FX® reduces the risk of getting a cold or flu by 89%. All the Company's products are designed to support normal physiological/body functions with a user-friendly, natural compound. Utilizing its patented ChemBioPrint technology, the Company has developed and commercialized a selection of premium quality natural health products for health maintenance and disease prevention.

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

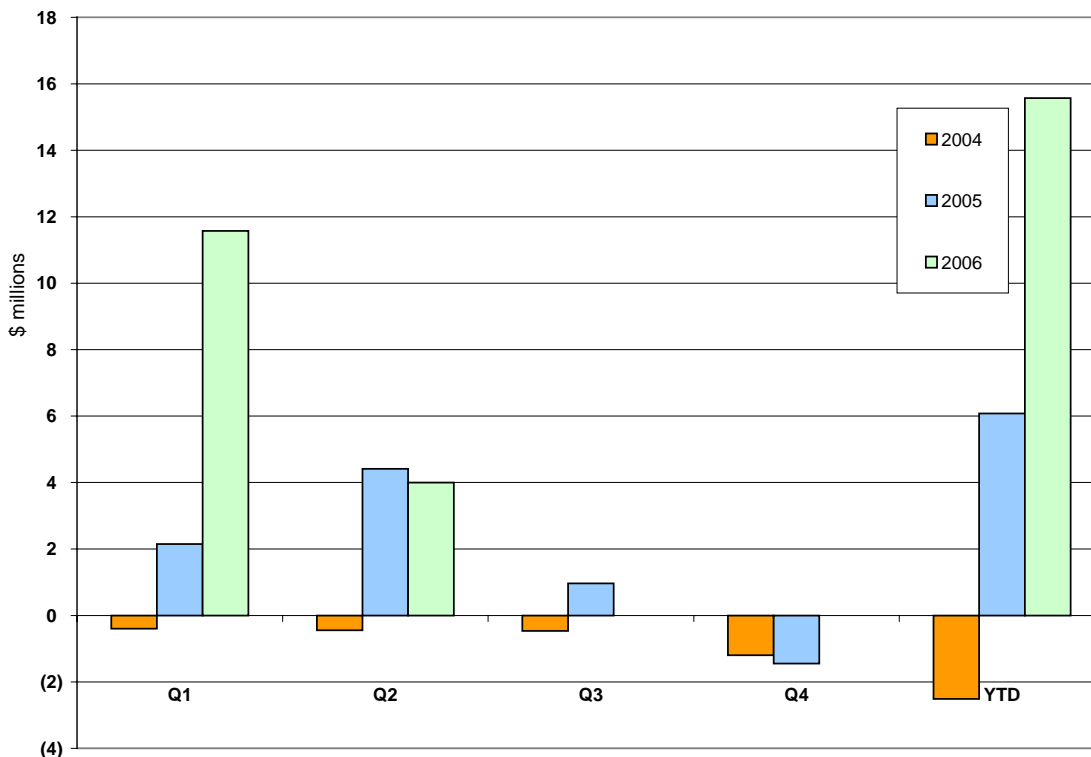
The cash flow generated from operations, excluding non-cash working capital items, was \$2.1 million for the second quarter (\$8.4 million for year to date). In fiscal 2005, cash flow generated from operations, excluding non-cash working capital items, was \$4.5 million (\$9.3 million for year to date). The primary differences in quarter over quarter were a decrease of \$0.3 million in stock compensation expense and an increase in income taxes \$1.1 million. In fiscal 2005, the vesting of options based on share price and sales and the elimination of tax expense resulting from loss carry forwards were two significant non-cash items. Sales and gross margin in the second quarter contributed to continuing positive cash flows. On a year-to-date basis, cash flow from operations in the second quarter 2006, excluding non-cash working capital items was \$0.082 per share or \$0.074 cents fully diluted (2005 – \$0.098 per share for basic and \$0.084 per share diluted).

Comparative liquidity (in thousands)	Quarter 2 Mar 31, 2006	Quarter 2 Mar 31, 2005	Fiscal Year Sep 30, 2005	Fiscal Year Sep 30, 2004
Cash and cash equivalents (indebtedness)	21,274	6,565	5,952	(181)
Working capital	23,995	12,626	16,928	1,924
Long-term liabilities	506	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 utilized its credit facility as shown in the liquidity summary above. The Company was in a positive cash position of \$21.3 million had \$24.0 million in working capital as of March 31, 2006. The Company also continued to strengthen its working capital position through strong earnings. The following chart illustrates cash flow from operations including working capital items in fiscal 2005 and 2006.



Cash Flow From Operations



Major cash flow components (in thousands)	Quarter 2 Mar 31, 2006	Quarter 2 Mar 31, 2005	Fiscal year YTD Sep 30, 2006	Fiscal Year Sep 30, 2005	Fiscal Year Sep 30, 2004
Operating activities	3,998	4,410	15,571	6,124	(2,513)
Financing activities	152	1,217	173	855	2,539
Investing activities	(255)	(19)	(423)	(846)	(190)

The change in cash provided from operating activities during the second quarter of fiscal year 2006 was \$4.0 million. The net change from December 31, 2005 resulted from \$2.1 million (\$4.5 million in second quarter of fiscal year 2005) generated from operations before working capital items and \$1.9 million (a use of \$78 thousand in second quarter of fiscal year 2005) in changes in non-cash working capital items. The net change in cash provided from operations for the same quarter last year was \$4.4 million.

The increase in cash provided from operations from the first quarter was primarily attributed to \$1.0 million in earnings, an increase of \$1.1 million in taxes payable, a \$1.2 million decrease in accounts payable, a decrease of \$2.6 million in accounts receivable, a decrease of \$0.5 million in prepaid expenses for deposits on account in manufacturing, an increase of \$1.1 million in inventory, \$0.9 million for the non-cash stock compensation expense, and \$0.2 million for amortization items.



The quarter over quarter difference in cash from operating activities was a net decrease of \$0.4 million.

The Company's financing activities in the second quarter of fiscal year 2006 provided \$152 thousand in cash (\$1.2 million in same quarter fiscal year 2005). In the second quarter of 2005, \$1.2 million was provided through the exercise of stock options. The financing activity in the second quarter of 2006 was composed of \$159 thousand from the issuance of capital stock through the exercise of stock options (805,000 common shares at an average of \$0.197 per share) and repayment of leases in the second quarter was \$6 thousand compared to \$5 thousand in the same quarter in fiscal 2006.

The Company's investing activities in the second quarter used \$255 thousand (\$19 thousand in the second quarter of fiscal year 2005). Investing activities primarily consisted of leasehold improvements, office, computer, software and laboratory equipment purchases and expenditures on patents and trademarks in support of our business strategy. Expenditures for Patents and Registered Trademarks were incurred in the protection and development of our 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, timing of 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 second quarter of the fiscal year of 2006, a non-cash expense of \$0.9 million (2005 -\$1.3 million) was recognized to reflect the fair value of stock options granted.

On February 27, 2006, the Board granted 30,000 options for common shares exercisable at a fair market value of \$3.42 per share and vest at 20% per year. The fair value of options granted was \$84 thousand or \$2.81 per option.

In November 2005, 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 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 shareholder value. The basis of the accrual of bonus costs is on projected sales and profitability and is adjusted monthly.



Director compensation moved to cash based 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. The Compensation Committee annually reviews and recommends to the Board the form and amount of Director Compensation.

Outstanding shares

As at May 4, 2006;

- Number of issued and outstanding common Class A shares 102,033,340
- Number of outstanding, unexercised stock options 15,315,601

(Exercise price ranges from \$0.10 to \$4.32 per share with expiration dates ranging from 2006 to 2011. The number of options for future issuance under the stock option plan is 70,009.)

Results of Operations (Historical and Current)

Profitability

Net income after tax was \$1.0 million (\$3.1 million for same quarter last year). Net income before tax was \$2.1 million (\$3.1 million for same quarter in fiscal 2005). In the second quarter of 2005, income tax expense was nil with the application of loss carry forwards and Scientific Research and Experimental Development ("SR&ED") expenditures. The Company established future tax assets in the fourth quarter of 2005, which resulted in an income tax recovery of \$1.6 million in fiscal year 2005. An analysis of components of the income statement is as follows.

Year to date income after tax was \$5.4 million (\$7.3 million for same six-month period last year). Year to date income before tax was \$9.6 million (\$7.3 million for same quarter in fiscal 2005).

Revenue

The Company reported net sales of \$10.9 million for the second quarter, exceeding the \$10.5 million in the same quarter of fiscal year 2005 by \$0.4 million (3.7%). Year to date net sales were \$29.9 million for compared \$21.8 million in the same period in 2005 (36.8% increase). This accomplishment was through increased volume of sales of the Company'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 the Company's lead products, and through significant product awareness programs resulting from mainstream media coverage and education of healthcare professionals. With the mild cold and flu season and mostly sporadic and localized outbreaks, management believes good progress was made in expanding sales in British Columbia, Ontario and Quebec and through brand building. The Company continued to receive exposure on regional and national TV, word of mouth endorsements, third party validation and 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.



According to ACNielsen, the sales unit volume for the cough/cold category at grocery and drug stores, and mass retailers registered declines from the same period last year. Unit volumes for the months ended January 21, 2006, February 18, 2006 and March 18, 2006 were down 9%, 17%, and 10% respectively, a period that is traditionally the highest for the category. Sales dollar volume for those three months declined 16%, 13%, and 6%. According to ACNielsen, six of the past eight months experienced declines in unit volumes. Unseasonably warm weather and the lack of a strong cold and flu season have been significant factors.

COLD-FX[®] has continued to achieve sales growth contrary to the industry trend. In this category, the Company performed well relative to the industry but soft against corporate expectations.

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 37% increase in sales year over year contrary to the decline in the cough and cold category. COLD-FX[®] was the number one selling cold remedy in Canada over the latest 52- week period ending January 21, 2006, and for the past year and a half. COLD-FX[®] continues to be the number one selling cold and flu item in drug stores, the Company's primary distribution channel.

Gross margin

The Company's second quarter gross margin decreased from 79.4% in fiscal year 2005 to 75.6% in the second quarter of 2006. This change was the result of balancing of supply channels to ensure capacity and to mitigate risk. As well, the margin improved from 70.8% in the first quarter to 75.6% in the second quarter as additional costs incurred for display materials declined. 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 second quarter operating costs-to-sales percentage has increased from 50% to 57% on a quarter-over-quarter basis. The Company continued to invest in brand building and sales of its products, planning for entry into the U.S. marketplace and moved its office to the Edmonton Research Park. Operating expenses for the second quarter of fiscal year 2006 were \$6.3 million as compared to \$5.3 million in the prior year.

This \$1.0 million (19%) increase over the same quarter from the prior year is comprised of the following:

- Sales and marketing expenses increased by \$0.3 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. The Company has invested in Quebec this past winter and has experienced positive results and momentum. These expenses are also important in maintaining sales growth during a mild cough and cold season. The Company's lead product COLD-FX[®] is



the top selling inventory item within the cough and cold category and sales continue to outpace other items in the category.

- Salaries and benefits and stock compensation expense increased by \$21 thousand. Additional employees were hired in sales, operations, research and administration increasing wages by \$363 thousand from the same quarter last year. The stock option expense decreased by \$342 thousand as there was a significant vesting of options based on sales and share price in the same quarter last year.
- Administration, occupancy and insurance costs increased by \$0.2 million. These costs were related to increased number of employees and expanded sales, operations and science related activities. The Company relocated its offices to the Edmonton Research Park to increase office and laboratory space. The additional rent and moving costs contributed to the increase in costs.
- Clinical studies and research and development expenses for the second quarter decreased slightly by \$29 thousand from 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.
- The balance of \$0.4 million increase in spending involved various operating expenditures and activities. Expenditures were increased in business promotion and the feasibility study conducted in planning entry to the United States. There were also additional professional fees and operating costs incurred in the graduation to the TSX and Annual General meeting held February 27, 2006.

Income taxes were \$1.1 million (2005 – nil). Due to the likelihood of recoverability, the Company 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.



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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	10,915			29,855
Gross margin	13,414	8,253			21,668
Gross margin %	70.8%	75.6%			72.6%
Earnings (loss) after tax	4,416	987			5,403
Earnings (loss) per share – Basic	\$0.04	\$0.01			\$0.05
Earnings (loss) per share – Diluted	\$0.04	\$0.01			\$0.05
Total assets	32,318	34,277			34,277
Total liabilities	7,458	7,331			7,331
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%
Earnings (loss) after tax	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%
Earnings (loss) after tax	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 the Company has cash resources to accumulate additional inventory when necessary.

Research and development expenses

The Company 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.

In October 2005, the Company commenced 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. The study is in the recruiting stage.



Corporate Update

On March 22, 2006, the Company graduated to the TSX Exchange and delisted from the TSX Venture Exchange. The graduation represented a significant milestone in the development of the company.

Internal Controls in Financial Reporting

The Enterprise Risk Management Committee (a subcommittee of the Audit Committee) oversees the project to complete a risk assessment and review of its internal controls over financial reporting to meet the requirements under MI 52-109. The Committee provides regular updates to the Audit Committee and Board. At the end of the second quarter, the design and documentation of general controls over information technology and payables and purchasing were completed. The design and documentation of controls over sales and receivables, taxes and capital assets are well underway. Remediation of identified gaps is underway. Company will continue to design, implement and test controls in the significant financial reporting cycles during the remainder of the year with testing and refinement continuing into 2007.

Management is pleased with the progress achieved to date and improvements occurring in controls over financial reporting and disclosures.

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, and intend to so certify, according to MI 52 109. We have evaluated the effectiveness of our disclosure controls and procedures and have concluded that they provide management with a reasonable level of assurance that the information we are required to disclose on a continuous basis in annual and interim filings and other reports is recorded, processed, summarized and reported or disclosed on a timely basis as required.

Subsequent Events

In April 2006, the Company received approval from the U.S. Food and Drug Administration ("FDA") to sell COLD-fx[®] in the United States as a New Dietary Ingredient ("NDI"). The Company is in early discussions with the FDA to seek approval for COLD-fx[®] as an Over-The-Counter product by conducting Phase III clinical trials.

On April 28, 2006, the Board of Directors formally approved management's strategic plans to launch COLD-fx[®] NDI product in the United States.

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, the Company 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 and seasonality. The Company maintains product liability insurance; however, it is possible that this coverage will not provide full protection against all risks. The Company 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 second quarter of fiscal 2006 continues the trend of quarter over quarter growth in sales and cash flow improvement. 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 and research and development. Management will work to enhance demand for REMEMBER-fx[®] and CELL-fx[®]. Management will continue to build sales and profits 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.

In the third quarter, the Company 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 into the United States. With the recent publication in the Canadian Medical Association Journal on the prevention and relief of upper respiratory infections, awareness of COLD-fx[®] has spread internationally.

Management will focus on a strategy of educating and awareness of consumers on the year-round preventative use of COLD-fx[®].

The Company plans to seek U.S. FDA approval for COLD-fx[®] as an OTC drug for the prevention or reduction of the risk of cold and flu by conducting Phase III clinical trials. FDA approval will allow the Company to make strong and specific medical claims and afford label exclusivity. This strategy will enhance product differentiation from our competition.

In April, the Company received FDA approval to sell COLD-fx[®] as a New Dietary Ingredient ("NDI") and completed a feasibility study on early market entry as an NDI prior to OTC approval. The Company is proceeding with plans to sell COLD-fx[®] into the U.S. marketplace for the fall season.

Management is committed to making its products strong performers within their categories, and confident that in 2006 the Company will continue to prove its leadership in the discovery and commercialization of science-based 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.

