

**CV Technologies Inc.
Interim Consolidated
Financial Statements**

Six month period ended March 31, 2007

CV Technologies Inc.

Consolidated Statements of Loss

(Unaudited)

	Three month period ended March 31		Six month period ended March 31	
	2007	2006	2007	2006
Product sales	\$ 7,849,681	\$ 10,914,966	\$ 30,464,361	\$ 29,855,240
Cost of goods sold	2,281,002	2,661,575	8,185,281	8,187,436
Gross margin	<u>5,568,679</u>	<u>8,253,391</u>	<u>22,279,080</u>	<u>21,667,804</u>
Operating expenses				
Advertising and marketing	3,821,746	2,067,162	14,679,437	4,659,408
Salaries and employee benefits	1,270,287	828,906	2,696,786	1,443,184
Contracting, consulting and professional fees	812,052	943,038	3,081,540	1,505,755
Research and development	716,225	542,961	1,451,429	1,646,939
Administration, occupancy and insurance	697,748	752,553	1,308,282	1,157,389
Stock-based compensation	627,166	939,302	1,244,912	1,516,923
Amortization of patents, registered trademarks and property and equipment	97,161	65,010	206,447	129,150
Amortization of deferred development costs	90,400	90,400	180,800	180,800
Interest and bank charges	36,737	8,003	54,720	14,999
Loss on foreign exchange	14,400	6,975	73,663	30,289
Bad debts (recovery)	(16,906)	28,566	53,128	12,273
	<u>8,167,016</u>	<u>6,272,876</u>	<u>25,031,144</u>	<u>12,297,109</u>
(Loss) earnings before other revenue, other expense and income taxes	<u>(2,598,337)</u>	<u>1,980,515</u>	<u>(2,752,064)</u>	<u>9,370,695</u>
Other revenue and expense				
Interest revenue	130,585	132,580	214,329	179,965
Foreign currency translation adjustment (Note 17)	340,476	-	(317,235)	-
Other items	4,577	(25,792)	(8,711)	(597)
	<u>475,638</u>	<u>106,788</u>	<u>(111,617)</u>	<u>179,368</u>
(Loss) earnings before income taxes	<u>(2,122,699)</u>	<u>2,087,303</u>	<u>(2,863,681)</u>	<u>9,550,063</u>
Income taxes				
Current (recovery) (Note 16)	(56,387)	1,089,734	4,775,295	2,998,034
Future (recovery) (Note 16)	1,229,424	10,129	(759,103)	1,148,853
	<u>1,173,037</u>	<u>1,099,863</u>	<u>4,016,192</u>	<u>4,146,887</u>
Net (loss) earnings	<u>\$ (3,295,736)</u>	<u>\$ 987,440</u>	<u>\$ (6,879,873)</u>	<u>\$ 5,403,176</u>
(Loss) earnings per share (Note 13)				
Basic (loss) earnings per share	\$ (0.03)	\$ 0.01	\$ (0.07)	\$ 0.05
Diluted (loss) earnings per share	\$ (0.03)	\$ 0.01	\$ (0.07)	\$ 0.05

See accompanying notes to the consolidated financial statements

CV Technologies Inc.
Consolidated Statements of Deficit

(Unaudited)

	Three month period ended March 31		Six month period ended March 31	
	2007	2006	2007	2006
Deficit, beginning of period	\$ (8,962,516)	\$ (1,601,659)	\$ (5,378,379)	\$ (6,017,395)
Net (loss) earnings	<u>(3,295,736)</u>	<u>987,440</u>	<u>(6,879,873)</u>	<u>5,403,176</u>
Deficit, end of period	<u>\$ (12,258,252)</u>	<u>\$ (614,219)</u>	<u>\$ (12,258,252)</u>	<u>\$ (614,219)</u>

See accompanying notes to the consolidated financial statements

CV Technologies Inc. Consolidated Balance Sheets

	March 31, 2007 (Unaudited)	September 30, 2006 (Audited) Restated
Assets		
Current		
Cash and cash equivalents	\$ 11,430,950	\$ 7,913,281
Accounts receivable	4,114,678	6,707,356
Inventory (Note 3)	20,219,321	18,425,505
Prepaid expenses and deposits	795,151	1,199,524
Future income taxes (Note 16)	1,492,030	1,001,590
	38,052,130	35,247,256
Patents and registered trademarks (Note 4)	831,492	873,730
Property, plant and equipment (Note 5)	6,836,598	3,192,172
Deferred development costs (Note 2)	994,403	1,175,204
Prepaid intra-group tax asset (Note 6)	2,539,840	2,643,506
	\$ 49,254,463	\$ 43,131,868
Liabilities		
Current		
Accounts payable and accruals	\$ 10,901,950	\$ 11,600,073
Customer deposits on product shipped with right-of-return (Note 8)	17,416,142	1,773,559
Current income taxes payable	2,069,712	5,233,698
Current portion of obligations under capital leases (Note 9)	6,468	14,114
Current portion of lease inducements	3,923	3,923
Future income taxes (Note 16)	-	237,347
	30,398,195	18,862,714
Future income taxes (Note 16)	81,482	112,800
Deferred revenue (Note 10)	180,000	150,000
Obligations under capital leases (Note 9)	493,583	471,298
Lease inducements	8,482	10,444
	31,161,742	19,607,256
Shareholders' Equity		
Share capital (Note 11)	22,764,098	22,433,106
Contributed surplus (Note 12)	7,586,875	6,469,885
Deficit	(12,258,252)	(5,378,379)
	18,092,721	23,524,612
	\$ 49,254,463	\$ 43,131,868

Commitments (Note 20)

CV Technologies Inc. Consolidated Statements of Cash Flows

	Three months ended March 31		Six months ended March 31	
	2007	2006	2007	2006
Operating				
Net (loss) earnings	\$ (3,295,736)	\$ 987,440	\$(6,879,873)	\$ 5,403,176
Items not affecting cash				
Stock-based compensation	627,166	939,302	1,244,912	1,516,923
Future income taxes	1,229,424	10,129	(759,103)	1,148,853
Amortization of deferred development costs	90,400	90,400	180,800	180,800
Amortization of patents, registered trademarks and property and equipment	97,161	65,010	206,447	129,150
Lease inducement	(981)	(980)	(1,962)	1,566
	<u>(1,252,566)</u>	<u>2,091,301</u>	<u>(6,008,779)</u>	<u>8,380,468</u>
Change in non-cash operating working capital				
Accounts receivable	2,713,699	2,613,165	2,592,678	4,664,051
Inventory	450,533	(1,081,504)	(1,793,816)	(141,389)
Prepaid expenses and deposits	(108,922)	504,106	404,373	(487,985)
Prepaid intra-group tax asset	51,833	-	103,666	-
Accounts payable and accruals	(6,591,706)	(1,234,570)	(698,129)	728,230
Customer deposits on product shipped with right-of-return	(72,903)	-	15,642,583	-
Current income taxes payable	(1,501,662)	1,085,919	(3,163,986)	2,287,942
Deferred revenue	-	20,000	30,000	140,000
	<u>(6,311,694)</u>	<u>3,998,417</u>	<u>7,108,590</u>	<u>15,571,317</u>
Financing				
Repayment of obligations under capital leases	(4,327)	(6,161)	(9,011)	(12,107)
Issuance of share capital	18,105	158,650	203,070	185,490
	<u>13,778</u>	<u>152,489</u>	<u>194,059</u>	<u>173,383</u>
Investing				
Purchase of property and equipment	(2,166,903)	(247,491)	(3,787,519)	(388,878)
Disposal (purchase) of patents and registered trademarks	10,945	(7,580)	2,539	(33,944)
	<u>(2,155,958)</u>	<u>(255,071)</u>	<u>(3,784,980)</u>	<u>(422,822)</u>
(Decrease) increase in cash and cash equivalents	(8,453,874)	3,895,835	3,517,669	15,321,878
Cash and cash equivalents:				
Beginning of period	19,884,824	17,378,024	7,913,281	5,951,981
End of period	<u>\$ 11,430,950</u>	<u>\$ 21,273,859</u>	<u>\$ 11,430,950</u>	<u>\$ 21,273,859</u>

Supplemental cash flow information (Note 14)

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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 Toronto Stock Exchange under the symbol "CVQ". The head office and research centre is located in Edmonton, Alberta, Canada.

The Company has subsidiary companies incorporated and operating in the United States, Switzerland and Canada. COLD-fX Pharmaceuticals (USA) Inc. is incorporated in Delaware, United States with an office in Chicago, Illinois. fX Life Sciences International GmbH is incorporated under the Swiss Code of Obligations with an office in Zug, Switzerland. CVT Capital Inc. is incorporated under the Business Corporations Act (Alberta) with operations in Edmonton, Alberta, Canada.

2. Summary of significant accounting policies

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The unaudited interim consolidated financial statement use the same accounting policies and methods of application as the audited consolidated financial statements for the year ended September 30, 2006 with exception for adoption of new CICA standards as noted in the Financial Instruments section below. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2006.

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, its wholly owned subsidiaries; COLD-fX Pharmaceuticals (USA) Inc., fX Life Sciences International GmbH, CVT Capital Inc. and 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.

Significant estimates made by management include provisions for customer discounts, allowances and returns, the realizability of future income taxes, useful lives of long-lived assets, the expected future cash flows used in evaluating long-lived assets for impairment, percentage completion of contracted service expenditures and stock based compensation fair values. On an ongoing basis, management reviews its estimates to ensure that these estimates appropriately reflect changes in the Company's business and new information as it becomes available. Actual results could differ from the estimates and assumptions used.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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

Translation of foreign currencies

The financial statements of the Company's operations are reported in Canadian dollars. The US dollar is the currency of measurement for the Company's investment in fX Life Sciences International GmbH and COLD-fX Pharmaceuticals (USA) Inc. These subsidiaries are integrated foreign operations which are translated using the temporal method, whereby monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, non-monetary assets and liabilities are translated at the rate in effect when the assets were acquired or liabilities were assumed. Under the temporal method, revenue and expenses are translated at the average exchange rates in effect on the transaction date with exception of amortizing and expensing non-monetary items such as inventory, prepaid expenses and deposits, property and equipment and patents and trademarks. These items are translated at the exchange rate in effect when the assets were acquired. The resulting exchange gains or losses are included in the determination of earnings.

Revenue recognition

Revenue from the sale of goods is recognized when all of the following criteria have been met: 1) evidence of a sales arrangement exists; 2) title of goods has passed to the customer, which is generally at the time the goods are delivered; 3) the sales price is fixed and determinable; and 4) returns can be reasonably estimated or the right of return has expired.

Provisions for estimated returns are made when revenue is recognized. When future returns cannot be reasonably estimated, revenue is not recognized until the risk of return has been substantially eliminated. Product shipped where the risk of return cannot be estimated is included in inventory as "product shipped with right-of-return" (see Note 3). If customer payment has been received for product shipped with right-of-return, the Company records the payment as a customer deposit (see Note 8).

Customer discounts, rebates and incentive allowances which do not result in a sufficiently separable benefit from the sale are recorded as a reduction in revenue. For discounts, rebates and incentive allowances to be sufficiently separable from the sale of the goods, the benefit must be identifiable, available from a party other than a purchaser of the Company's products and the fair value must be reasonably estimated. If discounts, rebates and/or incentive allowances result in negative revenue for a specific customer since inception of the overall consolidated relationship, the amount of the cumulative shortfall is classified as an advertising and marketing expense.

Customer discounts, rebates and incentive allowances are recognized at the later of the date on which the Company recognizes the related revenue or the date the Company offers the discount, rebate or incentive. If the related revenue is not recognized and the discount is not recoverable in the event of return, the discount is recognized at the later of the date on which the specific activity occurs or the customer recognizes the discount, rebate or incentive allowance.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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

Cash and cash equivalents

Cash includes balances with banks, net of outstanding cheques and short term liquid investments with maturities of less than 90 days.

Inventory

Inventories of finished goods and product shipped with right-of-return are valued at the lower of cost or net realizable value. For product shipped with right-of-return, displays and packaging materials normally included in the value of the inventory, which the Company does not expect to recover in the event of return, are expensed when the product is initially shipped to the customer. Inventories of work in progress, raw materials and supplies are valued at the lower of cost or replacement value. Costs include direct materials and labor and are determined on a weighted average basis. Inventory is reviewed for obsolescence on an item-by-item basis, obsolete inventory is written off to cost of goods sold.

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, plant and equipment

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

Lab equipment	20%, declining balance
Computer hardware	20%, declining balance
Furniture and equipment	20 - 30%, declining balance
Computer software	50%, declining balance
Leasehold improvements	Straight-line over term of lease
Automobiles	30%, declining balance
Equipment under capital leases	20%, declining balance

Additions and improvements are capitalized while repairs and maintenance are charged to expense as incurred. Costs are capitalized on properties which are under development, including all expenditures incurred in connection with the acquisition, development and construction. These expenditures consist of all direct costs, interest on debt that is related to these assets and certain administrative expenses. Amortization of this asset commences when the property is complete and available for use.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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

Deferred development costs

Development costs are capitalized for clearly defined, technically feasible technologies which management intends on producing and promoting to an identified future market. Resources exist or are expected to be available to complete the project. The costs deferred are for clinical studies related to the development of Parathyroid Hypertensive Factor technology related to cardiovascular therapies. Amortization of development costs commenced at the start of commercial production of the product during the fiscal year ended September 30, 2005. The costs are amortized on a straight-line basis over a 5 year period based on recoverability of unamortized deferred development costs. During the three and six month periods ended March 31, 2007, \$90,400 and \$180,800, respectively (2006 - \$90,400 and \$180,800) 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 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.

Prepaid intra-group tax assets

When an asset is transferred between enterprises within the consolidated group of companies resulting in prepayment of taxes by the transferor, the resulting expenses are recorded as a prepaid intra-group tax asset and amortized over the useful life of the transferred asset.

Research and development

Research and development expenditures (except for property, plant and equipment) are charged to expenses as incurred unless a development project meets the Canadian generally accepted accounting criteria for deferral and amortization. Research and development costs include the following direct operating expenses: salaries and benefits, administration, occupancy and insurance, and contracting, consulting and professional fees.

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.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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

Financial instruments

On October 1, 2006, the Company adopted the following Canadian Institute of Chartered Accountants (CICA) accounting recommendations for the recognition, presentation and disclosure of financial instruments:

- CICA Handbook Section 3855 "*Financial Instruments – Recognition and Measurement*"
- CICA Handbook Section 3862 "*Financial Instruments – Disclosures*"
- CICA Handbook Section 3863 "*Financial Instruments – Presentation*"
- CICA Handbook Section 1530 "*Comprehensive Income*"
- CICA Handbook Section 3251 "*Equity*"

Under the new standards, on acquisition, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and at inception, all financial liabilities must be classified as held-for-trading or other. The Company has classified cash and cash equivalents as held for trading; accounts receivable is classified as loans and receivables; accounts payable and obligations under capital leases have been classified as other liabilities.

All financial instruments are initially recorded on the balance sheet at fair value and if classified as loans and receivables or held for trading, changes in fair value are included in earnings. For those instruments classified as available-for-sale and for derivative financial instruments designated as hedges, changes in fair value will be included in other comprehensive income. Other comprehensive income and its components are presented in a separate financial statement and included directly in equity as accumulated other comprehensive income. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the consolidated financial statements.

Under section 3855, transaction costs incurred upon the issuance of debt instruments or modification of financial liabilities are now deducted from the related liability and are amortized using the effective interest method over the expected life of the liability. The adoption of this standard did not have an impact on the consolidated financial statements.

a) Fair value

The Company's financial instruments include cash, accounts receivable, accounts payable, customer deposits on products shipped with right-of-return and obligations under capital leases. The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties, calculated at the reporting date, to settle these instruments. The fair values of all financial instruments approximate their carrying values because of the short maturities of these instruments. The fair values of other financial instruments reflect the Company's best estimate and are based on the Company's valuation techniques or models to estimate fair values.

b) Interest rate risk

Finance facilities and bank indebtedness are 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.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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

Financial instruments (cont'd)

c) Foreign currency risk

The Company has assets and liabilities 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 currently use derivative instruments to reduce its exposure to foreign currency risk.

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 evaluation 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. Included in accounts receivable is an allowance for doubtful accounts of \$110,839 at March 31, 2007 (September 30, 2006 - \$59,232).

e) Liquidity risk

The Company's exposure to liquidity risk is dependent on sale of inventory, collection of accounts receivable or raising of funds to meet commitments and sustain operations. The Company manages liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

Impairment of long-lived assets

Impairment of non-monetary long-lived assets, including property, plant 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. When the carrying amount of the asset is less than the undiscounted future cash flows, the asset is measured at its fair value and presented in the balance sheet at the lower of the fair value or carrying amount.

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 reflect the potential dilution that would occur if stock options and warrants were exercised. 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 Interim Consolidated Financial Statements
(Unaudited)

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

Income taxes

Income taxes have been accounted for using the liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the accounting and income tax bases of an asset or liability. These are measured using the substantively enacted tax rates, regulations and laws of Canadian, United States and Swiss tax jurisdictions that are anticipated to be in effect when the differences are expected to reverse.

Stock-based compensation

The Company recognizes the compensation cost of stock options granted to employees, officers, directors and non-employees. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model. The fair value of granted options is expensed over the vesting period with a corresponding increase to contributed surplus.

3. Inventory

Inventory is comprised of the following:

	March 31, <u>2007</u>	September 30, <u>2006</u>
Finished goods	\$ 9,182,882	\$ 10,587,148
Product shipped with right of return	3,036,822	1,486,611
Work-in-progress	4,201,641	4,491,649
Supplies	2,261,549	1,557,316
Raw materials	<u>1,536,427</u>	<u>302,781</u>
	<u>\$ 20,219,321</u>	<u>\$ 18,425,505</u>

4. Patents and registered trademarks

<u>March 31, 2007</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Patents	\$ 1,252,843	\$ 547,096	\$ 705,747
Registered trademarks	<u>208,757</u>	<u>83,012</u>	<u>125,745</u>
	<u>\$ 1,461,600</u>	<u>\$ 630,108</u>	<u>\$ 831,492</u>
<u>September 30, 2006</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Patents	\$ 1,258,660	\$ 515,566	\$ 743,094
Registered trademarks	<u>205,472</u>	<u>74,836</u>	<u>130,636</u>
	<u>\$ 1,464,132</u>	<u>\$ 590,402</u>	<u>\$ 873,730</u>

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

4. Patents and registered trademarks (cont'd)

During the three and six month periods ended March 31, 2007, the Company recorded patents and trademarks amortization expense of \$19,953 and \$39,702 respectively (2006 - \$20,555 and \$38,734).

5. Property and equipment

<u>March 31, 2007</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Building under construction	\$ 5,237,583	\$ -	\$ 5,237,583
Land	490,812	-	490,812
Lab equipment	436,524	84,282	352,242
Computer hardware	389,459	106,669	282,790
Furniture and equipment	380,940	130,603	250,337
Computer software	306,435	140,775	165,660
Leasehold improvements	96,727	83,781	12,946
Equipment under capital leases	52,434	30,858	21,576
Automobiles	<u>44,788</u>	<u>22,136</u>	<u>22,652</u>
	<u>\$ 7,435,702</u>	<u>\$ 599,104</u>	<u>\$ 6,836,598</u>

<u>September 30, 2006</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Building under construction	\$ 1,678,281	\$ -	\$ 1,678,281
Land	467,162	-	467,162
Lab equipment	334,076	53,428	280,648
Computer hardware	355,401	77,042	278,359
Furniture and equipment	349,866	104,543	245,323
Computer software	260,563	95,955	164,608
Leasehold improvements	81,146	53,977	27,169
Equipment under capital leases	52,434	28,461	23,973
Automobiles	<u>44,788</u>	<u>18,139</u>	<u>26,649</u>
	<u>\$ 3,623,717</u>	<u>\$ 431,545</u>	<u>\$ 3,192,172</u>

During the three and six month periods ended March 31, 2007, the Company recorded property and equipment amortization expense of \$77,200 and \$166,745 respectively (2006 - \$44,455 and \$90,416).

6. Prepaid intra-group tax asset

During the 2006 fiscal year, international rights and proprietary knowledge were transferred to a foreign subsidiary resulting in prepayment of income taxes in the jurisdiction of the transferor. This prepaid intra-group tax asset will be expensed over the 12.9 year useful life of the transferred asset. During the three and six month period ended March 31, 2007, the Company has recognized \$51,833 and \$103,666 (2006 - \$Nil and \$Nil) of this expense.

Notes to the Interim Consolidated Financial Statements**(Unaudited)**

7. Financing facilities

At March 31, the Company had a demand operating line of credit up to a maximum of \$15,000,000 based on margining of accounts receivable and inventory. Inventory had a maximum limit of \$5 million or 50% of inventory, whichever was lower. Interest under the operating line facility was based on the Royal Bank of Canada prime rate plus 0.5% per annum. The collateral security lodged by the Company to support the operating line of credit was a General Security Agreement constituting first ranking security interest in all personal property of the Company.

In addition, the Company was finalizing the conditions precedent to a \$619,000 letter of guarantee facility and a \$4,680,000 interim mortgage loan facility to finance the construction of its new headquarters and research centre on land held under capital lease which provides a purchase option in 2015. The amount of interim financing was limited to 75% of the appraisal value of the building and would have been available after the Company had made \$3,820,000 of approved construction expenditures. The interim facility would have bore interest at the Royal Bank of Canada prime rate plus 1.00% per annum. The interim financing would have been termed into a mortgage loan the earlier of when the construction loan reached \$4,680,000 or 75% of the appraised value of the building, or June 30, 2007. The mortgage facility would have bore interest at the Royal Bank of Canada prime rate plus 0.675%; the interest rate also could have been also be fixed by the Company. The collateral security lodged by the Company to support the interim mortgage loan facility was a General Security Agreement constituting a first ranking security interest in all personal property of the Company and a Mortgage of Lease Agreement constituting a first fixed charge on the Company's leasehold improvements on the subleased land. During the 2006 fiscal year, two irrevocable standby letters of credit were issued under the interim mortgage loan facility in the amount of \$124,000 and \$495,600. The letters of credit will remain in effect respectively until December 31, 2007 and December 1, 2008.

Subsequent to March 31, 2007, the Company entered into new financing arrangements (see Note 23), replacing the existing financing facilities.

8. Customer deposits on product shipped with right-of-return

The Company received customer deposits totalling \$17,416,142 (2006 - \$1,773,559) for product shipped with right-of-return. At March 31, 2007, one customer represented \$13,328,407 or 76.5% (September 30, 2006 – two customers represented \$1,503,689 or 84.78%) of the total customer deposits. If the risk of product return is substantially eliminated, the revenue from the product shipment is recognized and liability for the customer deposit is eliminated. If the product is returned, the customer is entitled to a refund of the deposit. There is no certainty on the amount of deposits that will be recognized as revenue or require refund.

CV Technologies Inc.
Notes to the Interim Consolidated Financial Statements
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8. Customer deposits on product shipped with right-of-return (cont'd)

Subsequent to March 31, 2007, the Company refunded \$5.8 million of customer deposits and has refunds remaining of approximately \$5.0 million. Extended refund payment terms are under negotiation with the customer. Additional returns have been authorized but have not been received which will require a refund of approximately \$0.9 million.

9. Obligations under capital leases

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

2007	\$ 5,527
2008	2,897
2009	1,736
2010	215
2011 and thereafter	<u>1,155,250</u>
Total minimum lease payments	1,165,625
Less: amounts representing interest at an imputed rate of 10%	<u>665,574</u>
Balance of obligations under capital leases	500,051
Less: current portion	<u>6,468</u>
Long term balance of obligations under capital leases	<u>\$ 493,583</u>

10. Deferred revenue

Deferred revenue at March 31, 2007 consists of deposits totalling \$180,000 (2006 - \$150,000) received from two customers. These deposits require a guaranteed volume of inventory to be available to these customers at any given time. These deposits will be recognized as revenue when the customers draw the inventory.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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, 2005	101,188,171	\$ 21,936,227
Exercise of options	1,585,169	331,041
Recognition of fair value of options exercised	<u>-</u>	<u>165,838</u>
Balance, September 30, 2006	102,773,340	\$ 22,433,106
Exercise of options	777,666	203,070
Recognition of fair value of options exercised	<u>-</u>	<u>127,922</u>
Balance March 31, 2007	<u>103,551,006</u>	<u>\$ 22,764,098</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 22,170,442 common shares.

As at March 31, 2007 there are 14,092,935 (September 30, 2006 – 14,770,601) stock options outstanding, which are exercisable at prices ranging from \$0.15 to \$4.32 and expire between May 5, 2008 and December 14, 2011. A summary of the status of the Company's stock options for the period presented and changes during the periods ended on those dates are as follows:

March 31, 2007

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	14,770,601	\$ 1.26
Granted	100,000	2.98
Exercised	<u>(777,666)</u>	<u>0.26</u>
Outstanding, end of period	<u>14,092,935</u>	<u>\$ 1.32</u>
Exercisable, end of period	<u>10,836,935</u>	<u>\$ 0.85</u>

CV Technologies Inc.
Notes to the Interim Consolidated Financial Statements
(Unaudited)

11. Share capital (cont'd)

Stock options (cont'd)

September 30, 2006

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	16,180,770	\$ 1.11
Granted	80,000	3.98
Granted subject to shareholder approval	255,000	3.45
Forfeited/cancelled	(160,000)	1.26
Exercised	<u>(1,585,169)</u>	<u>0.21</u>
Outstanding, end of year	<u>14,770,601</u>	<u>\$ 1.26</u>
Exercisable, end of year	<u>10,731,601</u>	<u>\$ 0.64</u>

The stock options granted after October 1, 2002 and before March 3, 2005 fully vested as of March 31, 2005. All stock options granted on or after March 3, 2005 vest at 20% per year over five years.

The following table summarizes information about the stock options outstanding at March 31, 2007:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Remaining Contractual Life (years)</u>	<u>Number Exercisable</u>
\$ 0.15	4,172,492	1.10	4,172,492
0.20	20,000	1.22	20,000
0.25	33,000	1.51	33,000
0.50	250,000	2.22	250,000
0.57	143,000	2.34	143,000
0.71	813,916	1.78	813,936
0.74	3,600,527	2.11	3,600,527
2.62	250,000	3.30	50,000
2.84	4,395,000	3.93	1,742,000
2.98	100,000	4.71	-
3.29	200,000	4.19	-
3.42	10,000	3.92	2,000
4.04	55,000	4.44	-
4.32	50,000	3.66	10,000
	<u>14,092,935</u>		<u>10,836,935</u>

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

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 period, contributed surplus has changed as follows:

	6 month period ended March 31, <u>2007</u>	Year ended September 30, <u>2006</u>
Balance, beginning of period	\$ 6,469,885	\$ 3,921,586
Stock-based compensation recognition of fair value of stock options granted to:		
- Employees, officers and directors	1,188,252	2,653,024
- Non-employees	56,660	61,113
Recognition of fair value of stock options exercised	<u>(127,922)</u>	<u>(165,838)</u>
Balance, end of period	<u>\$ 7,586,875</u>	<u>\$ 6,469,885</u>

Stock based compensation expense is the fair value of granted options, expensed over the estimated life of the option. The fair value of granted options is calculated using the Black-Scholes option pricing model. No options were issued in the three month period ended March 31, 2007. The following table summarizes the assumptions used to calculate the fair value:

	<u>Six month period ended March 31, 2007</u>	<u>Year end September 30, 2006</u>
Total options granted	100,000	335,000
Weighted average exercise price	\$2.98	\$3.58
Weighted average risk-free interest rate	3.86%	4.14%
Weighted average expected life	5 years	5 years
Weighted average vesting period	5 years	5 years
Weighted average volatility	106.96%	111.52%
Weighted average dividend yield	-	-
Weighted average fair value	\$2.35	\$2.89

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

13. (Loss) earnings per share

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

	Three month period ended March 31		Six month period ended March 31	
	2007	2006	2007	2006
Numerator for basic (loss) earnings per share	<u>\$ (3,295,736)</u>	<u>\$ (987,440)</u>	<u>\$(6,879,873)</u>	<u>\$ 5,403,176</u>
Denominator:				
Weighted average common shares	<u>103,546,945</u>	<u>101,982,784</u>	<u>103,372,020</u>	<u>101,585,837</u>
Dilutive effect of stock options	<u>-</u>	<u>10,258,030</u>	<u>-</u>	<u>10,979,639</u>
Denominator for diluted (loss) earnings per share	<u>103,546,945</u>	<u>112,240,814</u>	<u>103,372,020</u>	<u>112,565,476</u>
(Loss) earnings per share				
- Basic	\$ (0.03)	\$ 0.01	\$ (0.07)	\$ 0.05
- Diluted	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ (0.07)</u>	<u>\$ 0.05</u>

14. Supplemental cash flow information

	March 31, <u>2007</u>	September 30, <u>2006</u>
Cash consist of:		
Balances with banks	\$ 12,307,375	\$ 8,209,878
Cheques in transit	<u>(876,425)</u>	<u>(296,597)</u>
	<u>\$ 11,430,950</u>	<u>\$ 7,913,281</u>
Interest paid	<u>\$ 54,720</u>	<u>\$ 60,626</u>
Non-cash financing and investing activities:		
Increase of assets under capital leases	<u>\$ 23,650</u>	<u>\$ 467,162</u>

15. Related party transactions

During the fiscal year ended September 30, 2006, the Company paid \$14,914 in supplemental study fees on behalf of Vet Ex Inc. As at September 30, 2006, 60% of this transaction has been eliminated through proportionate consolidation and the remaining balance is included in accounts receivable. There are no transactions with Vet Ex Inc. for the six month period ended March 31, 2007.

CV Technologies Inc.
Notes to the Interim Consolidated Financial Statements
(Unaudited)

16. Income taxes

Scientific research and experimental development (SR & ED)

The Company has fully utilized the Scientific Research and Experimental Development pool (2006 - \$1,617,172) and non-refundable SR & ED investment tax credits (2006 - \$706,277) in computing taxable income for the previous year. The benefit of investment tax credits arising from the SR & ED claim for 2005 has not been recognized.

Non-capital loss

The Company has \$11,840,799 of non-capital losses available which can be carried forward. \$11,808,292 of this benefit has not been recognized in these financial statements; the tax affected value of these losses is \$1,424,256. These losses are available to reduce income taxes in future years and if not utilized, will expire between 2014 and 2027.

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:

	Three month period ended March 31		Six month period ended March 31	
	2007	2006	2007	2006
Expected income tax (recovery) expense at 33.72% (2006-34.17%)	\$ (715,774)	\$713,231	\$ (965,633)	\$ 3,263,257
Increase (decrease) resulting from:				
Non-deductible items	116,797	327,672	229,710	523,937
SR&ED adjustments	-	74,268	-	248,849
R&D adjustment	(4,347)	(13,219)	(8,695)	74,907
Other items	10,422	(2,089)	16,486	25,088
Intra-group transaction expense	51,833	-	103,667	-
Income tax rate adjustment	(41)	-	247	10,849
Jurisdictional rate differential on foreign subsidiaries	3,571,932	-	2,499,970	-
Foreign currency translation adjustment	(242,355)	-	111,649	-
Jurisdictional rate differential on intercompany profit elimination	(3,039,686)	-	604,535	-
Change in valuation allowance	1,424,256	-	1,424,256	-
Income tax expense	<u>\$ 1,173,037</u>	<u>\$ 1,099,863</u>	<u>\$ 4,016,192</u>	<u>\$ 4,146,887</u>

CV Technologies Inc.
Notes to the Interim Consolidated Financial Statements
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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:

	March 31, <u>2007</u>	September 30, <u>2006</u>
Current assets		
Share issue costs	\$ 1,959	\$ 3,906
Reserves	4,182	4,828
Intercompany profit elimination	728,259	507,893
Deferred revenue with risk of return	743,430	475,201
Non-capital losses carried forward	<u>1,438,456</u>	<u>9,762</u>
	<u>2,916,286</u>	<u>1,001,590</u>
Current liabilities		
Investment tax credits applied	<u>-</u>	<u>(237,347)</u>
Non-current liabilities		
Capital and other assets	<u>(81,482)</u>	<u>(112,800)</u>
Less: valuation allowance	<u>(1,424,256)</u>	<u>-</u>
Net future tax asset	<u>\$ 1,410,548</u>	<u>\$ 651,443</u>

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

17. Foreign currency translation adjustment

The foreign currency translation adjustment represents net gains or losses on the translation of the net assets and liabilities of integrated foreign operations.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

18. Segmented information

Geographic information

Revenue

	Three month period ended March 31		Six month period ended March 31	
	2007	2006	2007	2006
Canada	\$ 7,482,714	\$ 10,872,741	\$ 29,673,848	\$ 29,812,462
United States	366,967	2,103	790,513	2,241
Other	-	40,122	-	40,537
	<u>\$ 7,849,681</u>	<u>\$ 10,914,966</u>	<u>\$ 30,464,361</u>	<u>\$ 29,855,240</u>

Property, equipment, patents and trademarks

	Period ended March 31		Period ended September 30	
	2007	2006	2006	2005
Canada	\$ 6,911,696	\$ 1,690,139	\$ 3,290,963	\$ 1,395,467
United States	1,154	-	-	-
Other	755,240	-	774,939	-
	<u>\$ 7,668,090</u>	<u>\$ 1,690,139</u>	<u>\$ 4,065,902</u>	<u>\$ 1,395,467</u>

Significant customers

During the three month period ended March 31, 2007, four (2006 - four) major customers accounted for \$4,678,949 or 56.9% (2006 - \$7,485,022 or 68.6%) of the Company's product sales.

During the six month period ended March 31, 2007, four (2006 - four) major customers accounted for \$19,961,206 or 65.5% (2006 - \$19,626,621 or 65.7%) of the Company's product sales.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

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19. Commitments

a) The Company has entered into operating lease agreements for premises in Edmonton, Alberta, Canada; Toronto, Ontario, Canada; Zug, Switzerland and Chicago, USA. These leases expire at various dates ranging from May 31, 2007 to September 30, 2010, and for which minimum lease payments total \$1,008,033.

The following is a schedule by fiscal year of future minimum lease payments:

2007	\$ 232,761
2008	371,088
2009	284,183
2010	<u>120,000</u>
Total minimum lease payments	<u>\$ 1,008,032</u>

b) The Company has entered into contractual obligations related to future advertising and marketing expenditures.

The following is a schedule by fiscal year of future payments associated with these contracts:

2007	\$ 489,719
2008	1,392,428
2009	<u>230,920</u>
	\$ 2,113,067

c) The Company has entered into contractual obligations for the construction of the new headquarters and research centre in Edmonton, Alberta, Canada. Estimated total project costs are \$9.5 million with \$5,237,762 incurred to date. Project completion is scheduled for the summer of 2007.

20. Cyclical nature of business

The Company's lead product's sales are greater in the first, second and fourth quarters of the fiscal year.

21. 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. On June 22, 2006, the Company submitted 90 days written notice of termination of the Joint Venture Agreement. On February 13, 2007 the status of the joint venture became inactive.

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.

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Notes to the Interim Consolidated Financial Statements
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21. Joint venture (cont'd)

	March 31, <u>2007</u>	September 30, <u>2006</u>
Assets		
Cash and cash equivalents	\$ <u>22,471</u>	\$ <u>22,480</u>
Liabilities		
Accounts payable and accruals	\$ <u>77</u>	\$ <u>77</u>

Product sales, expenses and cash flows for the:	Three month period ended March 31		Six month period ended March 31	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Expenses				
Research and development	\$ -	\$ 8,948	\$ -	\$ 8,948
Interest and bank charges	12	9	21	18
Net (loss) earnings	<u>\$ (12)</u>	<u>\$ (8,957)</u>	<u>\$ (21)</u>	<u>\$ (8,966)</u>
Cash flows				
Cash flows from operating activities	<u>\$ (12)</u>	<u>\$ (9)</u>	<u>\$ (21)</u>	<u>\$ (18)</u>

22. Comparative figures

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

23. Subsequent events

Stock options

On May 10, 2007, 3,500,000 stock options from the March 3, 2005 grant were voluntarily forfeited. In the three month period ending June 30, 2007, the forfeiture of these stock options will result in the recovery of \$3,578,458 of stock-based compensation expense previously recognized.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

23. Subsequent events (cont'd)

Business development

On April 19, 2007, the Alberta Securities Commission (ASC) issued an Interim Cease Trade Order (ICTO) halting trading of the Company's securities for 15 days. The action followed the Company's April 11, 2007 announcement that it was voluntarily planning to restate its consolidated financial statements for the year ended September 30, 2006, as well as its interim consolidated financial statements for the first quarter of fiscal year 2007 due to revenue recognition in the U.S. market. The Company, under the guidance of the Board of Directors decided to correct the Company's revenue as it relates to the entry into new markets or introduction of new products where there is a right of return. The Company has corrected the application of this policy because of the difficulty in estimating consumer uptake and the risk of product return by retailers when entering new markets or introducing new products. The ICTO would have expired May 4, 2007 but was extended as discussed below.

On May 2, 2007, the ASC issued a Consent Order extending the Interim Cease Trade Order of April 19, 2007 until the earlier of the satisfaction of the conditions set forth below and June 15, 2007.

The conditions set forth in the Consent Order include that:

- (i) All deficiencies, inconsistencies and omissions in the Company's previously delivered Financial Statements have been corrected by filing revised or amended Financial Statements pursuant to Part 4 of National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102") that are in accordance with acceptable accounting principles as required by section 3.1 of National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency;
- (ii) The Company has issued a press release pursuant to Part 11 of NI 51-102 explaining the reasons for requiring revised or amended Financial Statements;
- (iii) The Company is not in default of any other filing requirements under the Securities Act (Alberta); and
- (iv) The staff of the ASC has confirmed in writing that CV Technologies Inc. has satisfied the three foregoing conditions.

If all four conditions are not satisfied by June 15, 2007, CVQ and Staff of the ASC are directed to appear before the ASC for further advice and direction.

The Company was subject to a similar Temporary Order of the Ontario Securities Commission (OSC) dated April 23, 2007, which ceases all trading in and all acquisitions of the securities of the Company, whether direct or indirect, for a period of 15 days from April 23, 2007. A hearing before the OSC in respect of the Temporary Order was held on May 4, 2007.

On May 7, 2007, the OSC implemented an Order which has the effect of continuing the foregoing cease trade for an indefinite period. Staff of the OSC have confirmed to the Company that as the ASC is the principal regulator of the Company in accordance with CSA Staff Notice 51-312 Harmonized Continuous Disclosure Review Program ("CSA Staff Notice 51-312"), it is the intention of Staff of the OSC to apply the principles described in CSA Staff Notice 51-312 for the purposes of assessing the satisfaction of the Company's voluntary plan to restate its consolidated financial statements for the year ended September 30, 2006, as well as its interim consolidated financial statements for the first quarter of fiscal 2007.

CV Technologies Inc.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

23. Subsequent events (cont'd)

Business development (cont'd)

The Company was also subject to a Cease Trade Order of the British Columbia Securities Commission (BCSC) dated May 24, 2007, which ceases all trading in and all acquisitions of the securities of the Company, whether direct or indirect, until:

- (i) The Company files an interim financial statement and for the financial period ended March 31, 2007 and a Form 51-102F1 Management's Discussion and Analysis for the financial period ended March 31, 2007.
- (ii) The Executive Director makes an order under section 164 of the Securities Act revoking this cease trade order.

Financing facilities

On June 13, 2007, the Company replaced its existing financing arrangement with a new arrangement granting the Company a demand operating line of credit up to a maximum of \$10,000,000. The demand operating line of credit is based on 75% of accounts receivable plus 50% of finished goods inventory for the period of September to February or 65% of finished goods inventory for the period of March to August. Inventory has a maximum limit of \$6.0 million. As part of the operating line facility the Company has the ability to issue up to \$1 million of letters of guarantees. Interest under the operating line facility is based on the Bank of Canada prime rate or Bankers' Acceptance rate plus 1.5% per annum.

In addition, the new financing arrangement offers a three year term financing for the construction of the new headquarters and research centre on land held under a capital lease. The amount of term financing will be based on 65% of the revised appraised value of the building or 65% of the cost of the building, whichever is lower. The interim facility will bear interest at the Bank of Canada rate plus 0.75% per annum; the interest rate can also be fixed by the Company.

The collateral security lodged by the Company to support both financing facilities is a General Security Agreement constituting a first ranking security interest in all personal property of the Company, a Collateral Mortgage constituting a first fixed charge on the Company's headquarters and research centre on the subleased land and a guarantee provided by an insider of the Company, secured by common shares.