

CV Technologies Inc.
Consolidated Financial Statements
Six month period ended March 31, 2008
(unaudited)

CV Technologies Inc.
Consolidated Balance Sheets

(unaudited)

In Canadian dollars	March 31, 2008	September 30, 2007
Assets		
Current		
Cash and cash equivalents	\$ 13,935,792	\$ 2,702,572
Accounts receivable (note 15)	941,642	6,442,418
Inventory (note 3)	10,310,513	8,891,706
Prepaid expenses and deposits	638,304	391,266
Current income taxes receivable	-	721,099
Future income taxes	252,660	-
	<u>26,078,911</u>	<u>19,149,061</u>
Inventory, non-current (note 3)	-	7,351,019
Patents and registered trademarks	917,116	893,849
Property and equipment (note 4)	12,778,493	11,132,142
Prepaid intra-group tax asset	2,384,341	2,436,174
Future income taxes	18,476	345,548
	<u>\$ 42,177,337</u>	<u>\$ 41,307,793</u>
Liabilities		
Current		
Bank indebtedness	\$ -	\$ 2,039,164
Accounts payable and accruals	5,511,989	9,839,925
Customer deposits (note 6)	5,860,014	10,374,967
Current income taxes payable	2,031,338	-
Current portion of mortgage (note 5)	617,520	2,645,122
Current portion of obligations under capital lease	10,656	6,472
Current portion of deferred revenue	513,950	-
	<u>14,545,467</u>	<u>24,905,650</u>
Long term portion of mortgage (note 5)	4,378,619	-
Obligations under capital lease	713,762	682,535
Deferred revenue	180,000	180,000
Future income taxes	65,614	33,533
	<u>19,883,462</u>	<u>25,801,718</u>
Shareholders' Equity		
Share capital (note 7)	23,228,061	22,875,648
Contributed surplus (note 8)	8,243,581	7,839,387
Deficit	(9,177,767)	(15,208,960)
	<u>22,293,875</u>	<u>15,506,075</u>
	<u>\$ 42,177,337</u>	<u>\$ 41,307,793</u>

Commitments and contingencies (notes 16 and 17)

CV Technologies Inc.
Consolidated Statements of Deficit

(unaudited)

In Canadian dollars	Six month period ended	
	2008	March 31 2007
Deficit, beginning of period	\$ (15,208,960)	\$ (5,378,379)
Net earnings (loss) and comprehensive income (loss)	<u>6,031,193</u>	<u>(6,879,873)</u>
Deficit, end of period	<u>\$ (9,177,767)</u>	<u>\$ (12,258,252)</u>

CV Technologies Inc.
Consolidated Statements of (Loss) Earnings and
Comprehensive (Loss) Income

(unaudited)

In Canadian dollars	Three month period ended March 31		Six month period ended March 31	
	2008	2007	2008	2007
Product sales	\$ 10,714,723	\$ 7,849,681	\$ 31,990,137	\$ 30,464,361
Cost of goods sold	3,196,606	2,281,002	8,655,396	8,185,281
	<u>7,518,117</u>	<u>5,568,679</u>	<u>23,334,741</u>	<u>22,279,080</u>
Operating expenses				
Advertising and marketing	3,221,097	3,821,746	4,903,240	14,679,437
Salaries and employee benefits	1,672,072	1,270,287	3,026,652	2,696,786
Contracting, consulting and professional fees	1,195,702	812,052	1,910,293	3,081,540
Administration, occupancy and insurance	794,515	697,748	1,434,542	1,308,282
Research and development	683,057	716,225	1,226,367	1,451,429
Loss (gain) on foreign exchange	313,236	(326,076)	403,680	390,898
Amortization (note 10)	288,828	187,561	369,029	387,247
Stock-based compensation (note 8)	279,656	627,166	529,732	1,244,912
Interest and bank charges	83,744	36,737	161,608	54,720
Interest on mortgage	81,685	-	81,685	-
Bad debts (recovery)	33,534	(16,906)	36,348	53,128
	<u>8,647,126</u>	<u>7,826,540</u>	<u>14,083,176</u>	<u>25,348,379</u>
(Loss) earnings before other revenue and income taxes	<u>(1,129,009)</u>	<u>(2,257,861)</u>	<u>9,251,565</u>	<u>(3,069,299)</u>
Other revenue (expenses)				
Interest revenue	107,062	130,585	126,028	214,329
Other items	51,009	4,577	60,670	(8,711)
	<u>158,071</u>	<u>135,162</u>	<u>186,698</u>	<u>205,618</u>
(Loss) earnings before income taxes	<u>(970,938)</u>	<u>(2,122,699)</u>	<u>9,438,263</u>	<u>(2,863,681)</u>
Income tax expense				
Current (recovery)	(269,810)	(56,387)	3,293,122	4,775,295
Future (recovery)	66,698	1,229,424	113,948	(759,103)
	<u>(203,112)</u>	<u>1,173,037</u>	<u>3,407,070</u>	<u>4,016,192</u>
Net (loss) earnings and comprehensive (loss) income	<u>\$ (767,826)</u>	<u>\$ (3,295,736)</u>	<u>\$ 6,031,193</u>	<u>\$ (6,879,873)</u>
(Loss) earnings per share (note 9)				
Basic (loss) earnings per share	\$ (0.01)	\$ (0.03)	\$ 0.06	\$ (0.07)
Diluted (loss) earnings per share	\$ (0.01)	\$ (0.03)	\$ 0.06	\$ (0.07)

CV Technologies Inc.
Consolidated Statements of Cash Flow

(unaudited)

In Canadian dollars	Three month period ended March 31		Six month period ended March 31	
	2008	2007	2008	2007
Operating activities				
Net (loss) earnings and comprehensive (loss) income for the period	\$ (767,826)	\$ (3,295,736)	\$ 6,031,193	\$ (6,879,873)
Items not affecting cash				
Stock-based compensation (note 8)	279,656	627,166	529,732	1,244,912
Future income taxes	66,698	1,229,424	113,948	(759,103)
Unrealized foreign exchange gain on future income tax asset	(7,454)	-	(7,454)	-
Capital lease interest	11,501	-	11,501	-
Amortization (note 10)	288,828	187,561	369,029	387,247
Non-cash portion of interest expense	4,523	-	8,317	-
Amortization of prepaid intra-group tax assets	-	51,833	51,833	103,666
	<u>(124,074)</u>	<u>(1,199,752)</u>	<u>7,108,099</u>	<u>(5,903,151)</u>
Change in non-cash operating working capital				
Accounts receivable	5,254,482	2,713,699	5,500,776	2,592,678
Inventories	2,060,271	450,533	5,932,212	(1,793,816)
Prepaid expenses and deposits	159,581	(108,922)	(247,038)	404,373
Accounts payable and accruals	(688,557)	(6,592,687)	(3,199,756)	(700,091)
Current income taxes payable (receivable)	(761,389)	(1,501,662)	2,752,437	(3,163,986)
Customer deposits	(1,010,774)	(72,903)	(4,514,953)	15,642,583
Deferred revenue	19,900	-	513,950	30,000
	<u>4,909,440</u>	<u>(6,311,694)</u>	<u>13,845,727</u>	<u>7,108,590</u>
Financing activities				
Repayment of obligations under capital lease	(3,529)	(4,327)	(5,208)	(9,011)
Issuance of share capital (note 7)	129,375	18,105	226,875	203,070
Issuance of mortgage (note 5)	-	-	2,342,700	-
Repayment of bank indebtedness	-	-	(2,039,164)	-
	<u>125,846</u>	<u>13,778</u>	<u>525,203</u>	<u>194,059</u>
Investing activities				
Purchase of property and equipment	(1,133,614)	(2,166,903)	(3,069,898)	(3,787,519)
(Purchase) disposal of patents and registered trademarks	(14,453)	10,945	(67,812)	2,539
	<u>(1,148,067)</u>	<u>(2,155,958)</u>	<u>(3,137,710)</u>	<u>(3,784,980)</u>
Increase (decrease) in cash and cash equivalents	3,887,219	(8,453,874)	11,233,220	3,517,669
Cash and cash equivalents:				
Beginning of period	10,048,573	19,884,824	2,702,572	7,913,281
End of period	<u>\$ 13,935,792</u>	<u>\$ 11,430,950</u>	<u>\$ 13,935,792</u>	<u>\$ 11,430,950</u>
Supplemental cash flow information (note 11)				

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

1. Nature of operations and basis of presentation

CV Technologies Inc. (CVQ or the Company) is a publicly owned company that develops and sells biopharmaceutical 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, Canada.

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The accounting principles and methods of computation adopted in these interim consolidated financial statements are the same as those of the audited consolidated financial statements for the year ended September 30, 2007, except as disclosed in note 2 below.

Omitted in these statements are certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with Canadian GAAP. The interim consolidated financial statements and notes presented should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2007.

2. Summary of significant accounting policies

Use of estimates and measurement uncertainty

In preparing consolidated financial statements in conformity with Canadian GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period presented. Actual results could differ from these estimates.

Significant estimates made by management include provisions for customer discounts and incentives, allowances for uncollectible accounts receivable, right of returns, the realizable portion of inventory during the Company's normal business cycle, inventory provisions, the realizability of future income taxes, useful lives of long-lived assets, future expected 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 values appropriately reflect changes in the Company's business and new information as it becomes available. As at March 31, 2008, management's estimate for customer discounts and incentives totalled approximately \$3,400,000 (September 30, 2007 - \$1,400,000), which are included in accounts payable and accruals and customer deposits and as a reduction in accounts receivable.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

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

Property and equipment

In January 2008, the Company received its occupancy permit for its new premise and deemed the building available for use. Amortization is provided for the building utilizing the straight line method over 5 to 25 years.

Comprehensive income and financial instruments

On October 1, 2006, the Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income. This Section establishes the standards for reporting and disclosure of comprehensive income and its components. Comprehensive income is the change in equity (net assets) of an enterprise, during a period, from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company did not have other comprehensive income, a component of comprehensive income not included in net earnings, and accordingly total comprehensive income and net (loss) earnings are equal.

On October 1, 2006, the Company adopted the following 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; bank indebtedness, customer deposits on product shipped with right-of-return, mortgage, accounts payable and accruals.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

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

Comprehensive income and financial instruments (cont'd)

All financial instruments are initially recorded on the consolidated 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, when presented, are included directly in equity as accumulated other comprehensive income.

Except for revolving debt obligations, financial assets and financial liabilities classified other than as held for trading are measured at amortized cost based on the effective interest method. Transaction costs for revolving debt obligations that are directly attributable to the acquisition or issuance of the financial liability are expensed by the Company. The application of this standard did not have an impact on the consolidated financial statements at the date of adoption.

a) Fair value

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accruals, customer deposits and mortgage. 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. Cash and cash equivalents, accounts receivable, current income taxes, bank indebtedness, accounts payable and accruals and customer deposits on product shipped with right-of-return are assets and liabilities that have short periods to maturity and the carrying values contained in the consolidated balance sheet approximate their estimated fair value. The fair values of other financial instruments reflect the Company's best estimate based upon estimated interest rates at which the Company believes it could enter into with similar instruments at the consolidated balance sheet date.

b) Interest rate risk

Bank indebtedness and mortgage 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 bank prime lending rate. The sensitivity of the mortgage to a 100 basis point change in the interest rate, with all other variables held constant, would result in a change in the effective interest from 7.42% to 8.50% and a change in the (loss) earnings before tax of approximately \$14,000. The Company did not employ interest rate hedging activities during the year, allowing outstanding bank debt to generally float at short-term market rates of interest. The Company has the option to fix the interest rate on its mortgage for the balance of the term.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

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

Comprehensive income and financial instruments (cont'd)

c) Foreign currency risk

The Company has assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The sensitivity of these monetary assets and liabilities to a 10% change in the U.S. dollar, with all other variables held constant, would result in a change in the Company's (loss) earnings before tax of approximately \$570,000. 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 customer does not fulfil its obligations. This is minimized through a customer base predominantly comprised of well established 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. The failure of a large customer would have a significant effect on the Company.

e) Liquidity risk

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

Accounting changes

On October 1, 2007, the Company adopted CICA Handbook Section 1506, Accounting Changes. This Section allows an entity to change an accounting policy only if the change is required by a primary source of GAAP or results in the consolidated financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. This standard is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2007. The adoption did not have any effect on the Company's consolidated financial statements.

On October 1, 2007, the Company adopted CICA Handbook Section 1535, Capital Disclosures. This Section establishes standards for disclosing information about an entity's capital and how it is managed. The standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after October 1, 2007 and is disclosed in note 13 below.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

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

Recent accounting pronouncement

The CICA has issued new standards relating to goodwill and intangible assets as CICA Handbook Section 3064. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company plans to adopt this Section for its fiscal year beginning October 1, 2008 and does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

3. Inventory

Inventory is comprised of the following:

	March 31, 2008	September 30, 2007
Finished goods	\$ 6,513,679	\$ 9,014,194
Raw materials	1,373,508	1,448,528
Work-in-progress	1,210,455	3,755,470
Packaging materials	806,345	756,601
Product shipped with right-of-return	406,526	1,267,932
	10,310,513	16,242,725
Less current portion	10,310,513	8,891,706
	\$ -	\$ 7,351,019

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

4. Property and equipment

	Cost	Accumulated Amortization	Net Book Value
March 31, 2008			
Building	\$11,084,554	\$ 197,007	\$10,887,547
Equipment	1,129,050	330,302	798,748
Computer hardware and software	717,188	365,738	351,450
Land under capital lease	616,099	-	616,099
Leasehold improvements	150,026	92,789	57,237
Automobiles	44,788	28,932	15,856
Equipment under capital lease	92,438	40,882	51,556
	\$13,834,143	\$ 1,055,650	\$12,778,493
September 30, 2007			
Building under construction	\$ 9,552,210	\$ -	\$ 9,552,210
Equipment	800,435	272,234	528,201
Computer hardware and software	678,243	308,051	370,192
Land under capital lease	616,099	-	616,099
Leasehold improvements	99,207	90,744	8,463
Automobiles	44,788	26,134	18,654
Equipment under capital lease	74,631	36,308	38,323
	\$11,865,613	\$ 733,471	\$11,132,142

During the three and six month periods ended March 31, 2008, the Company recorded property and equipment amortization expense of \$264,402 and \$324,484 respectively (2007 - \$77,200 and \$166,745).

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

5. Financing facilities

The Company's bank credit facilities are comprised of the following:

a) At March 31, 2008, the Company has available a \$10,000,000 demand operating line of credit and had drawn \$nil (September 30, 2007 - \$2,039,164). The portion of the line of credit that is available to the Company is based on 75% of accounts receivable aged less than 90 days plus 50% of finished goods inventory for the period from September to February or 65% of finished goods inventory for the period from March to August each year to a maximum limit of \$6,000,000. This available line of credit amount was \$7,294,000 at March 31, 2008. Interest under the available operating line facility is based on the bank prime lending rate plus a stamping fee equal to 1.5% per annum. The effective interest rate for the quarter was 6.75%.

Included in the available operating line facility the Company has the ability to issue up to \$1,000,000 of letters of guarantee. At March 31, 2008, the Company had two standby letters of credit in the amount of \$495,600 and \$124,000 which will remain in effect until December 1, 2008 and December 1, 2009, respectively. Standby letters of credit are subject to a charge of 1% per annum.

b) The Company also has a \$6,175,000 three-year term mortgage facility for the construction of the new headquarters and research centre on land held under a capital lease. This mortgage is to be advanced to the Company, based on progress towards completion, in four installments commencing August 31, 2007. As at March 31, 2008, the Company has drawn \$5,044,861 under this facility. The facility bears interest at the Bank's prime lending rate plus 0.75% per annum. Using the effective interest method to determine the carrying value of the financial liability, the effective interest rate of the mortgage is 7.42%. Repayments are to be interest only until March 31, 2008 and a monthly principal payment of \$51,460 plus interest thereafter. The Company may prepay the mortgage without penalty at any time in whole or in part. Such payments would be applied to the principal in the inverse order of maturities of the repayments. The Company has presented the term mortgage net of financing charges of \$57,818. Additional financing charges of \$12,952 have been deferred until the balance of the mortgage has been drawn.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

5. Financing facilities (cont'd)

The Company's various facilities are subject to certain financial covenants. The facilities agreement contains repayment acceleration clauses that may cause the debt to become due and payable, or the collateral to become immediately enforceable, if certain events of default occur. The acceleration clauses include subjective default events such as any adverse change occurring in the financial condition of the Company or its property, equipment or business activities. Management of the Company is not aware of any pending condition that would require accelerated repayment of the bank financing.

The Company has pledged as collateral for both financing facilities 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.

Subject to any demand for partial or full repayment of the obligation, required principal repayments of the mortgage by fiscal year are as follows:

2008	\$	308,760
2009		617,520
2010		617,520
2011		3,501,061
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Total mortgage		5,044,861
Less transaction costs netted against principal balance		48,722
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Carrying value of mortgage		4,996,139
Less current portion		617,520
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	\$	4,378,619
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CV Technologies Inc.

Notes to the Consolidated Financial Statements

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6. Customer deposits

The Company has received customer deposits totalling \$5,860,014 (September 30, 2007 - \$10,374,967) for product shipped with right-of-return. At March 31, 2008, three customers represented \$5,106,000 or 87% (September 30, 2007 – three customers represented \$9,290,907 or 90%) of the total customer deposits. As at March 31, 2008, the Company has a remaining balance of inventory returns requiring refund of approximately \$2,412,000 (September 30, 2007 - \$4,816,000). At March 31, 2008, the Company has authorized additional inventory returns requiring refund of approximately \$476,000 (September 30, 2007 - \$2,428,000) to be delivered subsequent to quarter end. Inventory returns are not considered payable until the products have passed a quality and verification process. This process had not been completed for the above returns as at March 31, 2008.

If the risk of return for the remaining product shipped with the right-of-return is substantially eliminated, the revenue from the product shipment will be recognized and liability for the customer deposit eliminated. If the product is returned and cash payment has been made, 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.

7. Share capital

Authorized:

Unlimited number of Class A voting common shares with no par value
Unlimited number of Class P preferred shares with no par value,
voting rights to be determined prior to first issue

Issued and outstanding:

	Number of Shares	Share Capital
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Class A common shares:		
Balance, September 30, 2006	102,773,340	\$ 22,433,106
Exercise of options	1,327,666	285,570
Recognition of fair value of options exercised	-	156,972
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Balance, September 30, 2007	104,101,006	\$ 22,875,648
Exercise of options	650,000	97,500
Recognition of fair value of options exercised	-	53,950
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Balance, December 31, 2007	104,751,006	\$ 23,027,098
Exercise of options	862,500	129,375
Recognition of fair value of options exercised	-	71,588
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Balance, March 31, 2008	105,613,506	\$ 23,228,061
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CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
(unaudited)

8. Contributed surplus

During the period, contributed surplus has changed as follows:

	Three month period ended March 31 2008	Six month period ended March 31 2008	Year ended September 30 2007
Balance, beginning of period	\$ 8,035,513	\$ 7,839,387	\$ 6,469,885
Stock-based compensation recognition of fair value of stock options granted to:			
Employees, officers and directors	222,466	437,932	1,388,034
Non-employees	57,190	91,800	138,440
Recognition of fair value of stock options exercised	(71,588)	(125,538)	(156,972)
Balance, end of period	\$ 8,243,581	\$ 8,243,581	\$ 7,839,387

Stock-based compensation

A summary of the status of the Company's outstanding stock options for the six month period ended March 31, 2008 and year ended September 30, 2007 and changes during these periods is presented below:

	March 31, 2008		September 30, 2007	
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Outstanding, beginning of period	10,952,935	\$ 0.89	14,770,601	\$ 1.26
Exercised	(1,512,500)	0.15	(1,327,666)	0.22
Granted	1,310,000	0.68	1,010,000	1.41
Expired, cancelled and forfeited	(20,000)	4.32	(3,500,000)	2.84
Outstanding, end of period	10,730,435	0.96	10,952,935	0.89
Exercisable, end of period	7,714,435	\$ 0.77	8,752,335	\$ 0.55

For the 6 month period ended March 31, 2008, there were 20,000 options cancelled.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

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All amounts are in Canadian dollars, except where noted
(unaudited)

8. Contributed surplus (cont'd)

Stock-based compensation

The number of options outstanding at March 31, 2008 together with details regarding time and performance vesting conditions of the options are as follows:

Exercise prices	Number outstanding	Weighted average remaining term (in years)	Options currently exercisable (vested)	Options subject to time vesting only (not vested)	Options subject to performance vesting only (not vested)
\$0.15	2,109,992	0.10	2,109,992	-	-
\$0.20	20,000	0.22	20,000	-	-
\$0.25	33,000	0.50	33,000	-	-
\$0.50	250,000	1.21	250,000	-	-
\$0.57	143,000	1.33	143,000	-	-
\$0.68	1,310,000	5.76	-	-	1,310,000
\$0.71	813,916	0.77	813,916	-	-
\$0.74	3,600,527	1.10	3,600,527	-	-
\$1.24	830,000	5.22	-	600,000	230,000
\$1.25	80,000	5.38	-	80,000	-
\$2.62	250,000	2.30	100,000	150,000	-
\$2.84	895,000	1.92	537,000	358,000	-
\$2.98	100,000	3.71	40,000	60,000	-
\$3.29	200,000	3.19	40,000	160,000	-
\$3.42	10,000	2.91	4,000	6,000	-
\$4.04	55,000	3.44	11,000	44,000	-
\$4.32	30,000	2.65	12,000	18,000	-
	10,730,435		7,714,435	1,476,000	1,540,000

The fair value of the options issued is determined using the Black-Scholes option pricing model. The following weighted average assumptions were utilized to calculate the fair value:

	Six month period ended	
	March 31, 2008	March 31, 2007
Total options granted	1,310,000	100,000
Exercise price	\$ 0.68	\$ 2.98
Risk-free interest rate	4%	4%
Expected life	6 years	5 years
Vesting period	6 years	5 years
Expected annual volatility	125%	107%
Dividend yield	-	-
Fair value	\$ 0.60	\$ 2.35

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
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9. (Loss) earnings per share

The following table sets forth the computation of basic and diluted earnings (loss) per share for the following periods:

	Three month period ended March 31		Six month period ended March 31	
	2008	2007	2008	2007
Numerator for basic (loss) earnings per share	<u>\$ (767,826)</u>	<u>\$ (3,295,736)</u>	<u>\$6,031,193</u>	<u>\$ (6,879,873)</u>
Denominator:				
Weighted average common shares	<u>105,524,770</u>	<u>103,546,945</u>	<u>104,812,550</u>	<u>103,372,020</u>
Dilutive effect of stock options	<u>-</u>	<u>-</u>	<u>3,423,717</u>	<u>-</u>
Denominator for diluted (loss) earnings per share	<u>105,524,770</u>	<u>103,546,945</u>	<u>108,236,267</u>	<u>103,372,020</u>
(Loss) earnings per share				
Basic	\$ (0.01)	\$ (0.03)	\$ 0.06	\$ (0.07)
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ 0.06</u>	<u>\$ (0.07)</u>

The Company uses the treasury stock method to calculate (loss) earnings per share and under this method options that are anti-dilutive are excluded from the calculation of diluted (loss) earnings per share. For the three month period ended March 31, 2008, and for the year ended September 30, 2007, all outstanding options were considered anti-dilutive when earnings available to common shareholders were in a loss position.

10. Amortization

	Three month period ended March 31		Six month period ended March 31	
	2008	2007	2008	2007
Patents and registered trademarks	\$ 24,426	\$ 19,961	\$ 44,545	\$ 39,702
Property and equipment (note 4)	264,402	77,200	324,484	166,745
Deferred development costs	-	90,400	-	180,800
	<u>\$ 288,828</u>	<u>\$ 187,561</u>	<u>\$ 369,029</u>	<u>\$ 387,247</u>

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

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11. Supplemental cash flow information

	March 31, 2008	September 31, 2007
Cash and cash equivalents is comprised of:		
Balances with banks	\$ 14,495,149	\$ 3,285,103
Deposits in transit	-	9,129
Cheques in transit	(559,357)	(591,660)
	\$ 13,935,792	\$ 2,702,572

	Three month period ended March 31		Six month period ended March 31	
	2008	2007	2008	2007
Interest paid	\$ 89,104	\$ 12,437	\$ 101,674	\$ 20,123
Income taxes paid	\$ 687,113	\$ 1,413,164	\$ 687,909	\$ 7,805,710
Non-cash financing and investing activities:				
Property and equipment additions financed by obligations under capital lease	\$ 11,501	\$ 11,971	\$ 40,618	\$ 23,650
Property and equipment additions included in accounts payable and accruals at period end	782,629	1,056,717	782,629	1,056,717

CV Technologies Inc.

Notes to the Consolidated Financial Statements

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12. Related party transactions

On July 16, 2007, a shareholder who is also a director provided the Company with a guarantee of \$5,000,000, at a fee of 0.5% per month, to be used as collateral for the bank loan. During the three and six month periods ended March 31, 2008, the Company has expensed as interest \$75,000 and \$150,000 respectively (March 31, 2007 - \$nil and \$nil) in fees related to this guarantee.

The Company has as part of its management team an individual who is also part of a vendor's management. During the three and six month periods ended March 31, 2008, approximately \$138,000 and \$273,000, respectively (March 31, 2007 - \$161,000 and \$214,000) was expensed as advertising and marketing costs provided by this vendor subsequent to the above individual being hired by the Company. As at March 31, 2008, approximately \$263,000 (September 30, 2007 - \$287,000) is payable to the related vendor. The Company has a commitment of approximately \$673,000 remaining with the related party as at March 31, 2008 and is included in note 15 b.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

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13. Capital disclosures

The Company's objective to manage capital is to safeguard the entity's ability to continue as a going concern so that it can continue to develop and commercialize evidence-based natural health products to increase shareholder value.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to tangible net worth. These capital requirements are congruent with the Company's management of capital. The Company met all externally imposed capital requirements at the end of the period.

The Company monitors capital on the basis of the current and debt to tangible net worth ratios which are both financial covenants of its lending agreement. The current ratio is calculated as current assets (as shown on the balance sheet) over current liabilities (as shown on the balance sheet) and is to be maintained above 1.00:1. As at March 31, 2008 this ratio is 1.79:1 (September 30, 2007 – 0.77:1). The increase in this ratio is primarily the result of turning over inventory and collecting cash and using cash to reduce accounts payable and customer deposits. The increase was due to the classification of the mortgage as long term and long term inventory classified as current.

Debt to tangible net worth is calculated as total liabilities (as shown on the balance sheet) over tangible net worth. Tangible net worth is defined as the sum of share capital, contributed surplus and retained earnings (deficit) less intangible assets. This ratio is to be maintained below 2.50:1. At March 31, 2008 this ratio was 0.93:1 (September 30, 2007 – 1.76:1). The decrease in this ratio is due to a profitable six month period that enabled the Company to reduce accounts payable and customer deposits.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

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All amounts are in Canadian dollars, except where noted
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14. Segmented information

The Company operates in one operating segment - biopharmaceutical products. Management assesses performance and makes resource decisions based on the consolidated results of operations of this operating segment. Substantially all of the operations of the Company are directly engaged in or support this operating segment. Other operations are not material and share many of the same economic and operating characteristics as biopharmaceutical products and, accordingly, they are included with biopharmaceutical products for purposes of segment reporting.

Inter-segment transactions are eliminated upon consolidation. The following table presents information on the Company's product sales for the three and six month periods ended March 31, 2008 and March 31, 2007 by geographic area:

	Three month period ended March 31		Six month period ended March 31	
	2008	2007	2008	2007
Product sales				
Canada	\$ 10,216,081	\$ 7,482,714	\$ 31,128,495	\$ 29,673,848
United States	498,642	366,967	861,642	790,513
	<u>\$ 10,714,723</u>	<u>\$ 7,849,681</u>	<u>\$ 31,990,137</u>	<u>\$ 30,464,361</u>

Geographic information about the Company's revenue is based on the product shipment destination. Substantially all of the Company's property and equipment are located in Canada based on their physical location.

The Company derives significant revenue from certain customers. During the three month period ended March 31, 2008, two major customers (2007 - four) accounted for \$5,937,582 or 57% (2007 - \$4,678,949 or 57%) of the Company's Canadian product sales. During the six month period ended March 31, 2008, three major customers (2007 - four) accounted for \$21,037,331 or 67% (2007 - \$19,961,206 or 66%) of the Company's Canadian product sales.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

All amounts are in Canadian dollars, except where noted
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15. Accounts receivable

	March 31, 2008	September 30, 2007
Trade receivables	\$ 4,045,788	\$ 8,007,663
Allowance for doubtful accounts	(92,048)	(62,312)
	3,953,740	7,945,351
Other receivables	701,781	33,684
Discount and incentive provisions	(3,079,323)	(1,359,695)
Other provisions	(634,556)	(176,922)
	\$ 941,642	\$ 6,442,418

Trade receivables are non-interest bearing and are generally on 30 day terms.

The Company identifies impairment of trade receivables through a review of specific accounts and provides an allowance for doubtful accounts based on the excess of their carrying value over their estimated realizable amount. At March 31, 2008, trade receivables of \$92,048 were considered to be impaired and fully provided for. The movement on the provision for impairment of trade receivables for the six month period ended is as follows:

	2008	2007
Balance, October 1	\$ 62,311	\$ 59,232
Provision for doubtful accounts	7,144	4,407
Recovery	-	(4,118)
Amounts written off as uncollectible	-	-
Balance, December 31	69,455	59,521
Provision for doubtful accounts	42,564	4,142
Recovery	-	-
Amounts written off as uncollectible	(19,971)	(8,854)
Balance, March 31	\$ 92,048	\$ 54,809

The ageing analysis of trade receivables not impaired is as follows:

Total	< 30 days	30 - 60 days	60 - 90 days	> 90 days
\$	\$	\$	\$	\$
March 31, 2008	3,953,740	2,351,575	610,731	665,601
September 30, 2007	7,945,351	4,559,124	2,122,537	606,742

As at March 31, 2008, three customers (September 30, 2007 – three) represented 71% of total Canadian accounts receivable (September 30, 2007 – 72%).

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

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16. Commitments

a) The Company has entered into agreements to lease premises in Edmonton, Alberta, Canada; Toronto, Ontario, Canada and Zug, Switzerland. These leases expire at various dates ranging from May 31, 2008 to September 30, 2010, and for which minimum lease payments total approximately \$418,000.

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

2008	\$	118,000
2009		180,000
2010		120,000
		<hr/>
		\$ 418,000

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:

2008	\$	587,000
2009		710,000
		<hr/>
		\$ 1,297,000

c) The Company has entered into contractual obligations related to future research and development expenditures.

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

2008	\$	198,000
2009		144,000
		<hr/>
		\$ 342,000

d) The Company has entered into contractual obligations related to administration, occupancy and insurance expenditures.

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

2008	\$	196,000
2009		137,000
		<hr/>
		\$ 333,000

CV Technologies Inc.

Notes to the Consolidated Financial Statements

For the six month period ended March 31, 2008

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17. Legal proceedings

The Company and certain of its officers and directors were named as defendants in two concurrent class action lawsuits. These two actions were filed in the Ontario Superior Court of Justice and Alberta. The lawsuits, brought on behalf of shareholders who purchased the Company's common stock between December 11, 2006 and March 23, 2007, allege primarily that the audited consolidated financial statements for the year ended September 30, 2006 and unaudited consolidated financial statements for the quarter ended December 31, 2006 were false and misleading. These lawsuits seek compensatory damages, costs, and expenses in the amount of \$110,000,000. The lawsuits are at a very early stage. The Company has not recorded any liability relating to these matters. The matters raised in the lawsuits contain unproven allegations that will be vigorously defended, although no assurances can be given with respect to the outcome of such proceedings. Management believes that the Company's directors and officers insurance policy provides for reimbursement for costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits.

18. Cyclical nature of business

The Company's lead product's sales follow the industry's cold and flu season which is generally during the August to March period.

19. Comparative figures

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current period consolidated financial statements.

20. Corporate Restructuring

In November 2007, the Board of Directors approved management's proposal to modify the Company's international structure. In 2008, management intends to simplify the corporate structure with the formation of a new foreign company and dissolution of COLD-fX Pharmaceuticals (USA) Inc. and fX Life Sciences International GmbH. As at March 31, 2008, the potential costs of restructuring have been estimated by management to be \$475,000.

CV Technologies Inc.

Notes to the Consolidated Financial Statements

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All amounts are in Canadian dollars, except where noted
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21. Subsequent events

a) In April 2008, options were exercised to purchase 2,109,992 shares for \$0.15 per share. The fair value of these options exercised was \$175,129.

b) In April 2008, the Company drew \$130,139 on its mortgage facility. The final drawing of the mortgage facility will become available when the building is complete. All amounts and schedule of repayment are subject to the terms as outlined in note 5.