



CV TECHNOLOGIES INC.

FIRST QUARTER REPORT

CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended December 31, 2008
(unaudited)

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)
(unaudited)

	December 31, 2008	September 30, 2008
ASSETS		
Current		
Cash and cash equivalents	\$ 8,902	\$ 4,315
Short-term investment	5,126	5,081
Accounts receivable (note 3)	6,645	5,788
Inventory (note 2)	9,530	9,563
Prepaid expenses and deposits	479	237
Current income taxes receivable	1,281	2,459
Future income taxes	436	273
	32,399	27,716
Inventory, non-current (note 2)	76	116
Patents and registered trademarks	1,016	1,028
Property and equipment	12,657	12,678
Future income taxes	162	312
	\$ 46,310	\$ 41,850
LIABILITIES		
Current		
Accounts payable and accruals	\$ 9,923	\$ 8,961
Customer deposits	3,856	4,255
Current portion of long-term debt	705	700
Future income taxes	223	44
Current portion of obligations under capital lease	13	14
	14,720	13,974
Long-term debt	5,387	5,561
Obligations under capital lease	754	746
Deferred revenue	180	180
Future income taxes	106	107
	21,147	20,568
SHAREHOLDERS' EQUITY		
Share capital (note 4)	23,720	23,720
Contributed surplus	8,202	8,179
Deficit	(6,759)	(10,617)
	25,163	21,282
	\$ 46,310	\$ 41,850

Commitments and contingency (notes 9 and 11)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME AND DEFICIT

*(in thousands of Canadian dollars except per share amounts)
(unaudited)*

<i>For the three month period ended</i>	December 31, 2008	December 31, 2007
Revenue	\$ 19,721	\$ 21,275
Cost of goods sold	5,602	5,459
	14,119	15,816
Operating expenses		
Selling, general and administration	8,162	4,395
Research and development	780	543
Amortization (note 5)	313	80
Interest and bank charges (note 6)	127	78
Stock-based compensation (note 4)	23	250
Loss on foreign exchange	459	90
	9,864	5,436
Earnings before other revenue and income taxes	4,255	10,380
Other revenue		
Interest revenue	76	19
Other items	3	10
	79	29
Earnings before income taxes	4,334	10,409
Income tax expense (recovery)		
Current	1,826	3,563
Future	(299)	47
	1,527	3,610
Net earnings and comprehensive income	2,807	6,799
Deficit, beginning of period	(10,617)	(15,209)
Adjustment (note 2)	1,051	-
Adjusted deficit, beginning of period	(9,566)	(15,209)
Deficit, end of period	\$ (6,759)	\$ (8,410)
Earnings per share		
Basic	\$ 0.03	\$ 0.07
Diluted	0.03	0.06
Weighted average number of shares outstanding		
Basic	107,723,498	104,108,071
Diluted	107,733,075	107,673,296

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
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(in thousands of Canadian dollars)

(unaudited)

For the three month period ended

	December 31, 2008	December 31, 2007
Operating activities		
Net earnings and comprehensive income	\$ 2,807	\$ 6,799
Items not affecting cash		
Stock-based compensation	23	250
Future income taxes	(299)	47
Amortization (note 5)	313	80
Accreted interest on land under capital lease	12	11
Amortization of prepaid intra-group tax assets	-	52
	2,856	7,239
Change in non-cash operating working capital	1,991	(3,521)
Change in non-current deferred revenue	-	494
Change in non-current inventory	40	4,720
Cash provided by operating activities	4,887	8,932
Investing activities		
Purchase of property and equipment	(112)	(1,936)
Purchase of patents and registered trademarks	(8)	(53)
Cash used in investing activities	(120)	(1,989)
Financing activities		
Repayment of obligations under capital lease	(5)	(2)
Issuance of share capital (note 4)	-	98
Issuance of long-term debt	-	2,346
Repayment of long-term debt	(175)	-
Repayment of bank indebtedness	-	(2,039)
Cash (used in) provided by financing activities	(180)	403
Increase in cash and cash equivalents	4,587	7,346
Cash and cash equivalents:		
Beginning of period	4,315	2,703
End of period	\$ 8,902	\$ 10,049
Supplemental cash flow information:		
Interest paid	\$ 87	\$ 13
Interest received	31	19
Income taxes paid	710	1
Property and equipment additions		
- financed by obligations under capital lease	-	29
- included in accounts payable and accruals at period end	195	1,352

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three month period ended December 31, 2008. All amounts are in thousands of Canadian dollars, except share data. (unaudited)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

CV Technologies Inc. (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.

The Company has subsidiary companies incorporated in Canada, the United States, and Switzerland. CVT Capital Inc. is incorporated under the Business Corporations Act (Alberta), COLDFX Pharmaceuticals (USA) Inc. is incorporated in the United States, and FX Life Sciences International GmbH and FX Life Sciences AG are incorporated under the Swiss Code of Obligations.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with those used in the preparation of the most recent annual consolidated financial statements except as explained in note 2 below. These unaudited interim consolidated financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2008. In management's opinion, these interim consolidated financial statements include all adjustments necessary to present fairly such interim financial information.

The consolidated statements of earnings and comprehensive income and deficit, and cash flows for interim periods are not necessarily indicative of results on an annual basis due to seasonal and short-term variations. Revenue from the Company's lead products is greater in the first, second and fourth quarters of the fiscal year.

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.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Inventory

Effective October 1, 2008, the Company adopted the provisions of the CICA Handbook section 3031. This section supersedes the previous inventory section and alters the costing and valuation of inventory due to the expanded guidance on the costs to be included in inventory and additional guidance on the net realizable value of inventory. In addition, the nature of the disclosure of inventories has been expanded to include additional disclosure regarding the accounting policies used in measuring the inventory, the carrying value of the inventory, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs recognized in the period.

The new standard has been applied retroactively without restatement. In accordance with the new standard, fixed and variable overhead costs associated with the manufacturing of inventory have been added to the inventory value. Upon adoption, the allocation of overhead costs resulted in an increase in opening inventory of \$1,538, an increase in future income tax liabilities of \$487 and a decrease in the deficit of \$1,051. The impact of adopting the new standard resulted in a decrease in cost of goods sold by \$86 and an increase in net earnings by \$59 for the three months ended December 31, 2008.

Inventories of raw materials and packaging materials, work-in-progress, finished goods and product shipped with right-of-return are valued at the lower of cost and net realizable value. Work-in-progress costs include direct materials, labour and an allocation of overhead and are determined on a weighted average basis. The Company determines estimated annual production levels and allocates overhead costs on that basis. 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 are expensed when the product is initially shipped to the customer. Inventory is reviewed for obsolescence at least on an annual basis, and where identified the excess of carrying amount over net realizable value is expensed to cost of goods sold. Management's estimate of inventory not reasonably expected to be realized in cash during the normal operating cycle is classified as non-current inventory.

The cost of inventory recognized as an expense and included in cost of goods sold, prior to the overhead production variance allocation, for the three months ended December 31, 2008 was \$5,849. Included in cost of goods sold in the first quarter of 2008 is a write-down of inventory totalling \$539. No inventory write-downs recognized in previous years were reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Three month period ended December 31, 2008. All amounts are in thousands of Canadian dollars, except share data. (unaudited)

The Company's inventory is comprised of the following:

	December 31	September 30
	2008	2008
Finished goods	\$ 4,608	\$ 5,222
Work-in-progress	3,557	2,075
Product shipped with right-of-return	356	444
Raw and packaging materials	1,085	1,938
	9,606	9,679
Less non-current portion	76	116
	\$ 9,530	\$ 9,563

The Company has pledged inventory as collateral under the terms of the demand operating line of credit and term mortgage.

Goodwill and intangible assets

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 adopted this section for its fiscal year beginning October 1, 2008. The adoption of this standard did not have any impact on its consolidated financial statements.

Recent accounting pronouncements

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to start reporting under International Financial Reporting Standards (IFRS). The International Accounting Standards Board currently has projects underway that should result in new pronouncement and the Canadian convergence initiative is on-going as of the date of the statements. The Company is currently in the process of the scoping phase of its IFRS conversion plan that includes analyzing key differences and providing training to senior accounting staff.

3. ACCOUNTS RECEIVABLE

	December 31	September 30
	2008	2008
Trade receivables	\$ 10,553	\$ 7,629
Allowance for doubtful accounts	(55)	(58)
	10,498	7,571
Other receivables	1,011	1,532
Discount and incentive provisions	(3,937)	(2,207)
Return allowances	(875)	(1,019)
Other provisions	(52)	(89)
	\$ 6,645	\$ 5,788

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. After all efforts of collection have failed, the accounts receivable balance not collected is written off against the allowance for doubtful accounts. At December 31, 2008, trade receivables of \$55 (September 30, 2008 - \$58) were considered to be impaired and fully provided for. The movement on the provision for impairment of trade receivables for the three month period ended is as follows:

	December 31	December 31
	2008	2007
Balance, October 1	\$ 58	\$ 59
Provision for doubtful accounts	6	5
Recovery	(9)	(4)
Amounts written off as uncollectible	-	-
Balance, December 31	\$ 55	\$ 60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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Three month period ended December 31, 2008. All amounts are in thousands of Canadian dollars, except share data. (unaudited)

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

	Total	< 30 days	30 - 60 days	60 - 90 days	> 90 days
December 31, 2008	\$ 10,498	\$ 8,275	\$ 1,330	\$ 542	\$ 351
September 30, 2008	7,571	4,633	2,739	115	84

As at December 31, 2008, three customers (September 30, 2008 - four) represented 74% (September 30, 2008 - 73%) of total accounts receivable.

4. SHARE CAPITAL**Authorized:**

Unlimited number of voting common shares with no par value

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

(a) Issued and outstanding:

	Number of shares	Share capital
Voting common shares:		
Balance, September 30, 2007	104,101,006	\$ 22,876
Exercise of options	3,622,492	543
Recognition of fair value of options exercised	-	301
Balance, September 30, 2008 and December 31, 2008	107,723,498	\$ 23,720

(b) Stock-based compensation plan

The Company has an incentive stock option plan for certain employees, contractors, officers and directors. Options issued under the plan vest over a period which generally extends between four and five years. Options vest annually proportional to the number of vesting periods, based on the anniversary date of the options granted. The continuity of the Company's outstanding and exercisable options are as follows:

	Three month period ended December 31, 2008		Year ended September 30, 2008	
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Outstanding, beginning of period	8,585,443	\$ 1.01	10,952,935	\$ 0.89
Exercised	-	-	(3,622,492)	0.15
Granted	-	-	1,910,000	0.62
Expired, cancelled and forfeited	(455,000)	1.97	(655,000)	2.69
Outstanding, end of period	8,130,443	\$ 0.95	8,585,443	\$ 1.01
Exercisable, end of period	5,301,243	\$ 0.90	5,543,443	\$ 0.93

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

Exercise prices	Number outstanding	Weighted average remaining term (in years)	Options vested	Options not vested
\$0.48	600,000	5.7	-	600,000
\$0.50	250,000	0.5	250,000	-
\$0.57	143,000	0.6	143,000	-
\$0.68	1,220,000	5.0	-	1,220,000
\$0.71	813,916	0.1	813,916	-
\$0.74	3,500,527	0.4	3,500,527	-
\$1.24	830,000	4.5	196,000	634,000
\$1.25	47,000	4.6	9,400	37,600
\$2.62	250,000	1.6	150,000	100,000
\$2.84	220,000	1.2	132,000	88,000
\$2.98	20,000	3.0	8,000	12,000
\$3.29	176,000	2.4	70,400	105,600
\$3.42	10,000	2.2	4,000	6,000
\$4.04	30,000	2.7	12,000	18,000
\$4.32	20,000	1.9	12,000	8,000
	8,130,443		5,301,243	2,829,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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Three month period ended December 31, 2008. All amounts are in thousands of Canadian dollars, except share data. (unaudited)

During the three months ended December 31, 2008, \$23 (2007 - \$250) was recognized as stock based compensation expense with a corresponding increase to contributed surplus.

On January 21, 2009, the Board approved amendments to the options of certain optionees to remove performance-based vesting provisions. As originally granted, the options were subject to both performance-based vesting provisions and time-based vesting provisions. The performance-based vesting provisions related to the achievement of certain financial milestones by the Company.

5. AMORTIZATION

	December 31	December 31
	2008	2007
Patents and registered trademarks	\$ 20	\$ 20
Property and equipment	293	60
	\$ 313	\$ 80

6. INTEREST AND BANK CHARGES

	December 31	December 31
	2008	2007
Interest on long-term debt	\$ 92	\$ 69
Other interest and bank charges	35	9
	\$ 127	\$ 78

7. RELATED PARTY TRANSACTIONS

Until October 2008, the Company had as part of its management team an individual who was also related to the principal owners of a vendor. During the period, \$167 (December 31, 2007 - \$135) was expensed as advertising and marketing costs provided by this vendor. As at December 31, 2008, \$45 (September 30, 2008 - \$298) is payable to the related vendor.

From July 16, 2007 to July 23, 2008, a shareholder, who was also a director, was provided a fee of 0.5% per month related to a \$5,000 personal guarantee that was given to the Company's lender as part of the security position provided under the Company's credit agreement. During the period ended December 31, 2007, the Company expensed, in interest and bank charges \$75 related to the fee on this guarantee. The Company's credit agreement was amended on July 23, 2008, whereby the requirement for this personal guarantee was eliminated.

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.

8. 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. Capital is defined by the Company as shareholders' equity, long-term debt and obligations under capital lease.

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 December 31, 2008 this ratio is 2.20:1 (September 30, 2008 - 1.98:1). The increase in this ratio from September 30, 2008 is primarily the result of an increase in cash and cash equivalents generated in the first quarter of 2009.

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 deficit less intangible assets. This ratio is to be maintained below 2.00:1. At December 31, 2008, this ratio was 0.88:1 (September 30, 2008 - 1.02:1). The decrease in this ratio is primarily due to a profitable first quarter in fiscal 2009 and the reduction in customer deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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Three month period ended December 31, 2008. All amounts are in thousands of Canadian dollars, except share data. (unaudited)

9. FINANCIAL INSTRUMENTS**Fair value of financial instruments**

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, short-term investment, accounts receivable, bank indebtedness, and accounts payable and accruals are assets and liabilities that have short periods to maturity and the carrying values contained in the consolidated balance sheets 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 similar instruments at the consolidated balance sheet dates. These estimates approximate the carrying values of the underlying liabilities.

Management of risks arising from financial instruments

The Company does not use financial derivatives. There has been no change with respect to the Company's overall risk exposure during the three month period ended December 31, 2008.

Market risk**a) 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 earnings before tax of approximately \$10 for the period ended December 31, 2008. The Company did not employ interest rate hedging activities during the year. The Company has the option to fix the interest rate on its mortgage for the balance of the term.

b) Foreign exchange 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 United States dollar, with all other variables held constant, would result in a change in the Company's earnings before tax of approximately \$400 for the period ended December 31, 2008. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Credit risk

The maximum exposure to credit risk of the Company as at December 31, 2008 is the carrying value of its financial assets. The Company manages credit risk by maintaining bank accounts with reputable financial institutions and only investing in securities that are highly rated, traded in active markets and capable of prompt liquidation.

The Company's exposure to credit risk related to accounts receivable 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. As at December 31, 2008, three customers (September 30, 2008 - four) represented 74% of total accounts receivable (September 30, 2008 - 73%). Included in accounts receivable is an allowance for doubtful accounts of \$55 (September 30, 2008 - \$58). At December 31, 2008, two customers made up \$41 or 75% (September 30, 2008 - two customers at \$41 or 71%) of the allowance for doubtful accounts.

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.

At December 31, 2008, the Company's contractual obligations for the next five years and thereafter are as follows:

	12 month period ended December 31					
	2009	2010	2011	2012	2013	Total
Long-term debt	\$ 702	\$ 708	\$ 4,993	\$ -	\$ -	\$ 6,403
Obligations under capital lease	13	13	6	3	1,157	1,192
Leased premises	186	108	19	-	-	313
Raw materials	2,365	-	-	-	-	2,365
Operating lease payments, sponsorships and other	1,192	1,575	1,025	250	-	4,042
	\$ 4,458	\$ 2,404	\$ 6,043	\$ 253	\$ 1,157	\$ 14,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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Three month period ended December 31, 2008. All amounts are in thousands of Canadian dollars, except share data. (unaudited)

The Company has entered into agreements to lease premises in Edmonton, Toronto and Montreal, Canada. These leases expire at various dates ranging up to September 30, 2011. In the normal course of business, the Company purchases raw materials for use in its operations. The Company has entered into a fixed quantity supply agreement with one of its suppliers. The Company has various operating leases, sponsorship agreements and other commitments made in the normal course of business, including the Company's commitment with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("VANOC"), for a four-year Official Supplier partnership with VANOC.

10. 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.

The Company's operations are carried on in the following geographic locations:

	December 31 2008	December 31 2007
Revenue		
Canada	\$ 19,119	\$ 20,912
United States	602	363

Substantially all of the Company's property and equipment is located in Canada.

Geographic information about the Company's revenue is based on the location of the contracting organization.

The Company derives significant revenue from certain customers. During the period, three major Canadian customers (December 31, 2007 - three) accounted for \$11,911 or 60% (December 31, 2007 - \$14,864 or 71%) of the Company's consolidated revenue.

11. CONTINGENCY

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 and claim damages of \$110,000. A national law firm, Stikeman Elliott LLP, has been retained to represent the Company and certain officers and directors. 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. The Company has not recorded any liability relating to these matters. 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.

12. COMPARATIVE FIGURES

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