



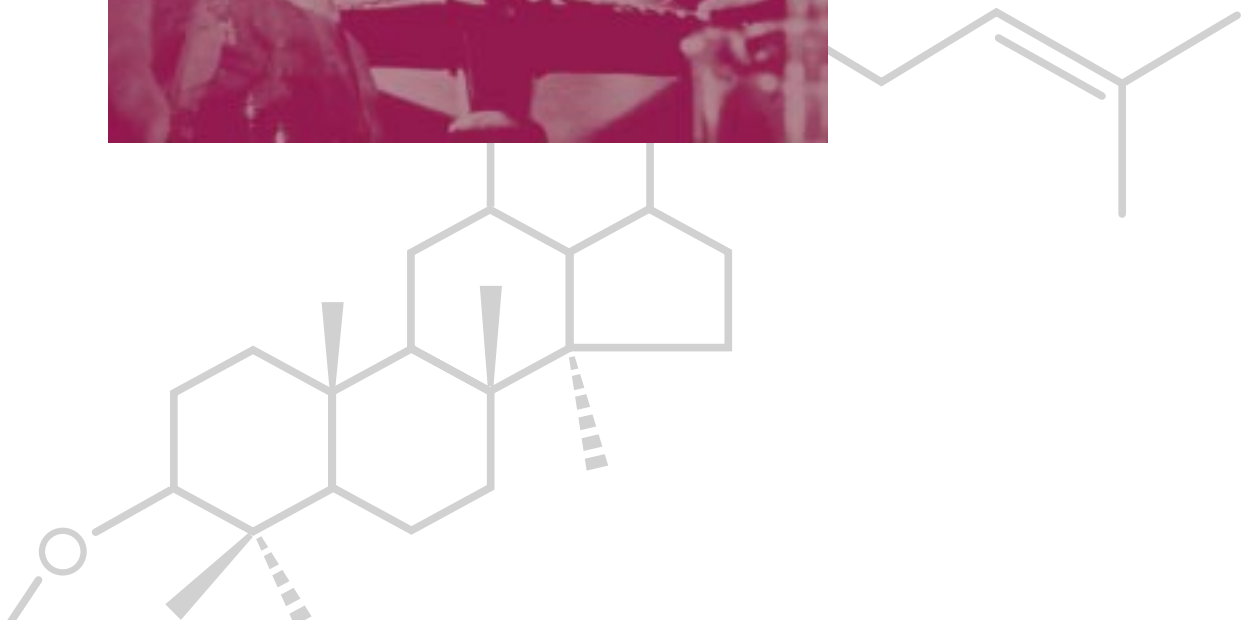
CV TECHNOLOGIES INC.



ANNUAL REPORT

2000

NATURAL HEALTH THROUGH SCIENCE & TECHNOLOGY



CHEMBIOPRINT™

Natural Health Through Science & Technology

U.S.A.



VISION

ChemBioPrint™ will become the global leader in identification, characterization and standardization of safe and effective natural substances for disease prevention and health management.

MISSION

CV Technologies Inc. is an international science Company that develops technology applications for the identification, characterization and manufacture of patentable bioactive extracts.

CV Technologies is committed to utilizing its ChemBioPrint™ technology to provide alternatives to synthetic drugs, offering the same degree of scientifically verifiable safety and efficacy.

STRATEGIC INTENTIONS

1. Through a unique application of modern pharmaceutical science in combination with traditional herbal medical expertise, CV Technologies will identify, extract and standardize active ingredients from herbs and other natural substances to enable development of commercial products for international health supplement and pharmaceutical markets.
2. Establish clear differentiation from competitors by building on CV Technologies' substantial patent position in natural therapeutic ingredients and not just claiming, but scientifically proving, both safety and efficacy.
3. Form one or more strategic alliances with major pharmaceutical or other consumer healthcare companies to develop and commercialize CV Technologies' products worldwide.
4. Build on relationships with government agencies and industry organizations to establish a leadership position in industry-wide quality standards and certification of natural therapeutics.
5. Develop a strategic global network of research, product development and marketing collaborators.

PRESIDENT'S LETTER TO THE SHAREHOLDERS

During the past fiscal year, significant progress was made in all strategic areas of the Company. We expanded our clear leadership position in intellectual property with three additional key patents granted by the United States Patent Office. Our research group completed the first IND Phase II clinical trial of CVT-E002 under the direction of a prestigious U.S. Medical School. We generated almost one million dollars in successfully completing a commercial product comparison for the Consumer Healthcare Division of DuPont and closed a private placement for the sale of six million shares of CVT at one dollar per share. CVT negotiated a lease for new offices and research facilities in the Edmonton Research Park and will be fully moved into this first-class facility by the end of February 2001. In conjunction with the new facilities, the Company hired additional research, quality-control and regulatory personnel. While progress was made on a number of fronts in terms of securing a major strategic alliance partner, by year-end the Board was not in a position to announce the completion of such an agreement.

● In March of 2000 CVT completed the first IND Phase II clinical trial of the Company's flagship product, CVT-E002, supported with funding from the National Research Council and AVAC Ltd. This trial was conducted through a prestigious U.S. Medical School and evaluated the product's ability to prevent or reduce respiratory illness induced by colds, flu and other causes. CVT-E002 has been cleared by the U.S. FDA under Investigational New Drug (IND) status. While the results are still under analytical review, the Company has been sufficiently encouraged to begin a much larger second clinical trial to be completed in March of 2001. Following completion of successful Phase II trials the Company will be in a position to seek a pharmaceutical partner to license this product for the multibillion dollar cold-and-flu category. Professor Larry Guilbert, CVT's scientific advisor in immunology, is encouraged by CVT's research results characterizing CVT-E002's immunomodulating properties. According to our chief medical advisor Dr. Richard Lewanczuk, M.D., and clinical collaborator Dr. Janet McElhaney, M.D., CVT-E002 could be the first multi-active component therapeutic product approved in that category.

● In March of 2000 the Company received Notice of Allowance from the U.S. Patent Office for the Composition and Use patent of HT1001, CVT's memory-enhancement product. This allowance clearly established our leadership position in natural therapeutic products and signals positive results for the many similar CVT patent applications currently pending. In April of 2000 the Company received Notice of Allowance of our core-technology patent application for the umbrella ChemBioPrint™ process. Through this patent the Company extended its intellectual property position beyond patented products to encompass a proprietary process to enable production of many new patentable products. This makes CVT truly unique among the many companies in our field.

● In June of 2000 the Company successfully completed a contract for The Consumer Healthcare Division of DuPont to evaluate 200 commercial products in comparison to the consistency in efficacy of four of CVT's commercial products. The study confirmed the high level of variability in the products tested and the uniform consistency of CVT's natural therapeutic products. This project was a major endorsement of the ChemBioPrint™ technology and generated almost \$1 million in revenues. Dr. Peter Gillies, Chief Scientific Officer of DuPont, stated that "the ChemBioPrint™ technology is a major step forward in evaluating the health benefits of complex bioactive mixtures found in natural health products. This [ChemBioPrint™] technology could become the industry standard for certification of quality and bioactivity in natural therapeutic products."

● The Company was able to raise scientific awareness by establishing an extensive international network of quality scientists in basic and clinical research. This network has leveraged the Company's research-and-development capability tremendously. The Company has set up an active research collaborative program with major universities in North America and Southeast Asia. The National Research Council of Canada, AVAC Ltd., The Natural Science and Engineering Research Council of Canada, Western Diversification, and others have lent their strong support to the Company through research grants, fellowships and other financial arrangements.

● Brubuck Inc. agreed to purchase 6 million shares of CVT common stock at \$1.00 per share, with CVT having unconditional draw rights through February of 2001 to the funds committed. Under the terms of this financing agreement, Brubuck is to receive one warrant to purchase an additional share of CVT for \$1.50 for each three shares purchased at \$1.00. During this fiscal year the Company called on \$2 million of the reserved funds. The Company continues to explore long-term funding options with investment banks, potential strategic alliance partners and private sources. If, as planned, we maintain our current research spending rate, the Brubuck funding should be sufficient to finance the operational needs of the Company through fiscal year 2001.

● The Company was able to secure first-class office and research lab facilities at the Edmonton Research Park in order to facilitate our expanded research requirements, and allow us to consolidate our management and research activities at one site. The 11,000 sq. ft. facility will be custom fitted and fully occupied by February of 2001. The laboratory will be a "showcase" for our proprietary products and technology and should greatly increase our research capabilities and improve efficiency.



● Our stated objective of securing a high-profile strategic alliance partner was not realized during this fiscal year. By March of 2000 the Company was in late-stage negotiations with a multinational pharmaceutical/life sciences company to complete an alliance that included a significant equity position and creation of a joint-venture company, funded entirely by our potential partner. Before completion of the alliance, the potential partner made an unexpected change in strategic direction and publicly announced that it would not proceed with expansion of its life sciences companies. CVT was one of several small companies “left at the altar” in this change of direction. Since that announcement, the Company redoubled efforts to secure another partner and now has several potential partners in nutraceutical, pharmaceutical and functional foods interested. We have made a corporate decision that any alliance must include partnering with our research-and-development activities to ensure optimal growth in shareholder value. While it is difficult to predict when a deal satisfying all of our Board’s requirements will be struck, I remain confident that the high level of interest will result in a significant partnership in the first half of 2001.

The Company is uniquely positioned to capitalize on the growing trends in natural healthcare. Our proprietary ChemBioPrint™ process will ensure our continued leadership position in creation of proprietary products that improve the health and well-being of people throughout the world and bring true value to our shareholders.

A handwritten signature in black ink, appearing to read "James H. Bruce". The signature is fluid and cursive.

James H. Bruce - President and Chief Executive Officer

CVT: TECHNOLOGY

ChemBioPrint™

Plants, herbs and other natural substances have a long history of use as medicine for the prevention and treatment of human diseases. In recent history this has extended to include a number of prescription pharmaceuticals.

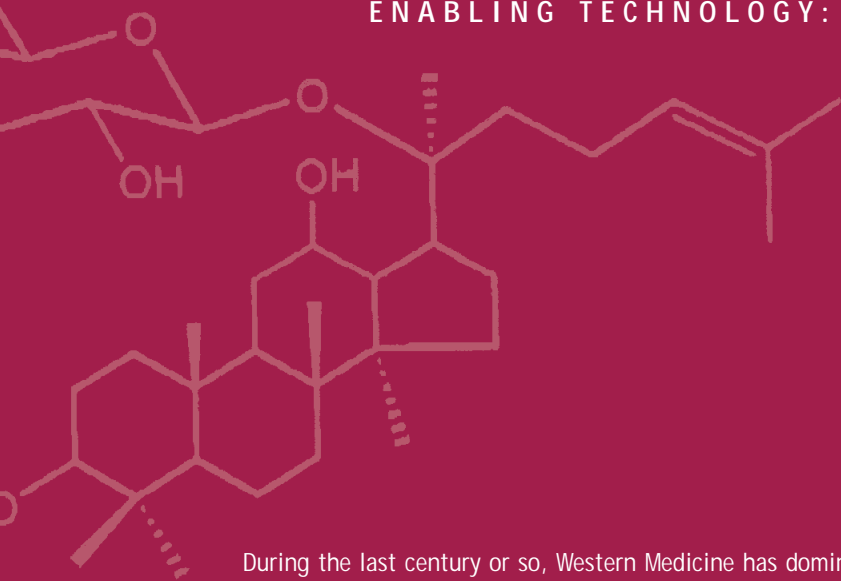
- Plants and other natural substances are variable as to their natural chemistry. This variability is the major barrier to the development and regulatory approval of natural therapeutics with multi-active components. Until recently it has not been possible to develop proprietary, consistent and standardized natural health products, which can be patent protected and are acceptable from a regulatory standpoint for clinical trials and drug development.

- Combining in-depth knowledge in Traditional Chinese medicine and modern phytomedicine research, CVT's scientists have discovered a series of multi-active component therapeutic candidates. The lead product, CVT-E002, is currently in Phase II clinical studies, for the prevention and treatment of respiratory illness induced by colds and flu. Moreover, an additional twenty lead therapeutic candidates are in research-and-development stages.

- The ChemBioPrint™ technology was created to provide all of the essential elements required for regulatory and patent approval. The technology provides solutions to the problems of identification, characterization and standardization of safe and effective multi-active component therapeutics for disease prevention, treatment and health management.

- ChemBioPrint™ is not a theory, but a working principle protected by patent and with scientific evidence of success.

ENABLING TECHNOLOGY: PAST, PRESENT AND FUTURE



During the last century or so, Western Medicine has dominated health care in most industrialized countries. One of its central tenets is the use of single-entity pharmaceuticals to treat a particular disease state. While these pharmaceuticals are clearly effective, especially for the fast relief of often life-threatening symptoms, some of them have significant side effects. These undesirable effects are one reason for the recent interest in natural substances as therapeutic agents and in traditional methods of treatment and health maintenance in general. To be sure, Western medical science has always recognized the importance of 'natural' medicine, since 30-50% of pharmaceuticals are of plant or animal origin. However, even these drugs can have negative side effects, because they are often efficacious only in high dosages. CV Technologies' proposed solution to this problem is the development of nutraceuticals and pharmaceuticals that consist of multi-active components extracted from herbs and other natural sources, as opposed to drugs that are made up of a single chemical. Inspired by the research of *Dr. Peter Pang*, Chairman of the Board and Chief Science Officer, CVT has found that due to synergistic and/or complementary effects of the multi-active components in an extract, a combination of lower-dosage individual ingredients in the extract is as effective as a high dosage of a single-entity drug, and the undesirable side effects are minor or nonexistent. The Company's current products with multi-active phytochemicals are manufactured on the basis of this revolutionary idea. The Company currently markets, under its HerbTech® brand, a selection of natural herbal-extract fractions (called nutraceuticals) to normalize mood-state (MENTA-FX™); improve memory and cognition (REMEMBER-FX®); support and stimulate the immune system (COLD-FX®); support concentration and cognition (AD-FX™); soothe sore joints (CELL-FX®); support cardiovascular function and help maintain healthy blood pressure levels (PRESSURE-FX®).

The Trend to Alternative Approaches to Health Management

Today, medical science has powers to heal that would have seemed miraculous a century ago. Yet in the last decade, millions of consumers in the developed world have added dietary supplements to their health regimens, including herbs, other botanicals and functional foods.

- Consumers are seeking out alternative therapies because of a growing feeling that it is possible and necessary to take care of one's own health; health is seen as a positive state, and not simply the absence of disease. Contrary to what one might think, the typical user of alternative therapies in the U.S.A. is a college-educated, middle-aged woman with an annual income over \$50,000. And people seem to be more knowledgeable (or at least inquisitive) about health issues; for instance, surveys have shown that the most common reason for "surfing the Net" is to find health-related information.

- As the "baby boom" generation ages and as people continue to live longer and longer, they will create a surge in demand for products that will assist them in their overall healthcare management.

- As would be expected the older age group are heavy consumers of drugs. Currently, although Americans over 65 comprise only 15% of the U.S. population, they take one-third of all prescription drugs.

- It is clear that the demand for medications by this rapidly growing older group will soar, as they face increased incidence of cardiovascular disease, cancer, arthritis and stiff joints, osteoporosis, loss of memory and depression, and immune-system deficiencies.

- In recognizing consumers' need for safe and effective natural health products, worldwide government regulatory bodies have set or are setting new regulatory guidelines for the companies. In the U.S. the FDA has posted a draft guideline for the industry for botanical drug products, and the U.S. Congress established the Dietary Supplement Health and Education Act of 1994 (DSHEA). The European Agency for the Evaluation of Medicinal Products recently posted a "Note for Guidance on Specifications: Drugs, Herbal Drug Preparations and Herbal Medicinal Products." Some Asian countries such as China, Japan and Korea are continually strengthening their natural health product industry. As a result CV Technologies is well positioned to ensure its strong international competitive position.

CVT: Natural Pharmaceutical Products

The Company's primary long-term thrust is to focus its research on the discovery of proprietary pharmaceutical and consumer health products that are linked to a specific disease state or disease group and are patentable, and to further develop and commercialize these products, using the Company's proprietary ChemBioPrint™ process.

● CV Technologies stands out from the many companies in the natural health product sector because of the rigorous in-house scientific research it conducts. Certain of CVT's discoveries have reached the clinical trial stage, led by CVT-E002, a product for colds and flu. This product is currently the subject of a Phase II clinical trial, which is expected to be completed in the spring of 2001; this is the third such trial for CVT-E002. CV Technologies has three additional products that are ready for Phase II clinical study: CVT-E033, a product for the treatment of Attention Deficit Hyperactivity Disorder; CVT-E001 for the treatment of Alzheimer's; and CVT-E036 for the treatment of mild depression.

● Estimates of the cost of bringing a new pharmaceutical to market vary from US\$150 million to US\$500+ billion, with a time frame of 10 to 15 years. CVT believes that by developing health supplements, medicines and prescription pharmaceuticals from natural substances, it may be able to substantially reduce the cost and time to bring a product to market.

CVT: INTERNATIONAL PROGRAM

ChemBioPrint Asia has been established as a joint venture involving CVT, the University of Hong Kong and other Hong Kong investors, with CVT as the majority shareholder. During the past year the Hong Kong portion of the program has been established and interactions with government, industry and academic societies have been developed. The Asia network, which involves the University of Hong Kong, will be maintained, through the leadership of CVT and ChemBioPrint Asia and will include participation by the National Research Institute of Chinese Medicine in Taiwan.

- Under this program, the power of CVT's ChemBioPrint™ platform technology will be further leveraged and utilized in research, discovery and development of products from Traditional Chinese Medicine.
- The next step in this program is to establish strategic alliances with one or more Asian health product companies, to form industrial linkages and to develop natural products in various leading Asian countries. The initial activities of such a joint venture(s) would be to develop new products and to improve existing products.

INTELLECTUAL PROPERTY

As in the past, CV Technologies is continually seeking patent protection for its proprietary products and processes. Since its inception CVT has developed an extensive patent portfolio that significantly enhances its products and overall value. The Company currently holds twenty-one approved patents — twelve United States Letter Patents and nine issued worldwide in various countries. An additional thirty-two patents are pending, four in the United States and twenty-eight in various strategically selected countries worldwide. In addition, three applications are pending under the international Patent Cooperation Treaty (specific countries will be chosen at the appropriate time).

- The Company's patent portfolio can be divided into two groups: natural products and Parathyroid Hypertensive Factor (PHF). A strong position is maintained for each of the groups, both in patent protection and in Company proprietary know-how. A brief description of each of the groups follows.

Natural products: the Company's principal group, natural products, has varying treatment objectives, ranging from immunoboosting, cardiovascular-function support and antifungal activity, to support of concentration and cognition. All of the Company's natural products are unique because they are standardized by its proprietary ChemBioPrint™ process — the United States Letter Patent (#6,156,291) for this process was issued in 2000. Furthermore, a United States Letter Patent (#6,083,932) was issued in 2000 covering pharmaceutical compositions derived from ginseng and treatments of disease states using these compositions.

Parathyroid Hypertensive Factor: the Company's PHF cardiovascular research program is ongoing through collaborations with the University of Alberta. Issued patents, in the United States and worldwide, are actively maintained and pending patents are aggressively pursued. As well, the Company entered into an important agreement with Axis-Shield Diagnostics of Dundee, Scotland, to further develop a PHF blood test.

● Finally, CV Technologies is also actively pursuing trademark protection where appropriate for its product names and designs. The Company currently holds ten registered trademarks and has an additional five trademarks pending for registration.

CLINICAL TRIALS

The past year has seen the initiation and completion of a number of significant milestones in the clinical development of investigational agent CVT-E002. Following the acceptance of the Investigational New Drug application (IND) by the United States Federal Drug Administration (FDA) in September 1999, a clinical study was initiated at a prestigious U.S. Medical School. This double-blind, placebo-controlled study investigated the safety and efficacy of CVT-E002 on naturally occurring respiratory illnesses in older adults. Eighty-nine elderly subjects were enrolled in this Phase II study during the 1999-2000 winter season. Complete data collection along with patient group unblinding and analysis of the final results will be completed early next year.

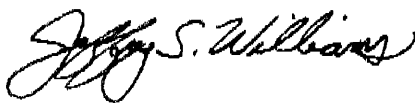
● Planning for a second Phase II study at the U.S. Medical School was initiated with the IND submission for this study occurring in August. Regulatory acceptance was received in September, allowing this clinical trial to begin enrolling patients during the 2000-01 winter season. Data from this second placebo-controlled IND study will supplement the safety and efficacy information gathered from the first clinical investigation and allow for the interpretation of results in this larger, pooled sample size. Non-IND studies will be initiated for CVT-E002 to expand our patient group. These trials will include children and healthy young adults.

MANAGEMENT DISCUSSION OF OPERATIONS

During the 1999/2000 fiscal year CV Technologies intensified its focus on its research and development programs related to the ChemBioPrint™ technology. To further the possibility of regulatory approval for CVT-E002, the Company's product for colds and flu, a Phase II clinical trial was held under the auspices of a prestigious U.S. Medical School. The cost of this trial was \$648,888 and as such represents the single largest financial outlay in the research-and-development area for the fiscal year. An additional and larger trial is planned for CVT-E002 in the 2000/01 fiscal year. Three pilot human trials are also planned for CVT-E001 (Alzheimer's), CVT-E036 (depression) and CVT-E033 (Attention Deficit Hyperactivity Disorder).

The Board of Directors continues to be determined to form a strategic alliance with a major international health products company. In this fiscal year the Company established an important but short-term relationship with Dupont, whereby CVT completed a research-and-development contract amounting to just under \$1,000,000, which accounts for the majority of the revenue increase for the year.

During the year revenue from the HerbTech® nutraceutical line of products was \$1,131,338, a year-over-year increase of 25%. Direct research-and-development expenses for the year were \$1,820,034, an increase of \$910,063 or 100%. Over half of this increase was due to the costs associated with the Phase II clinical trial of CVT-E002. In addition to this, however, expenses listed under Administration that are associated with or in support of the Company's corporate development and research-and-development program are estimated to be in the order of \$1,150,500. With respect to travel expenses for a year-to-year comparison, it is necessary to combine sales travel and administration travel. The Company is now showing under sales expense only those travel costs associated with the sale of the HerbTech® line of products. The administration salaries figure of \$1,029,514 includes salary increases and bonuses of \$200,000 and \$340,000 for the Boulder office.



Jeff Williams - Chief Financial Officer
CV Technologies Inc.

CONSOLIDATED FINANCIAL STATEMENTS

CV TECHNOLOGIES INC.
September 30, 2000

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AUDITORS' REPORT

To the Shareholders of CV Technologies Inc.

We have audited the consolidated balance sheets of CV Technologies Inc., as at September 30, 2000 and 1999 and the consolidated statements of loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada
December 15, 2000



Chartered Accountants

CV TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF LOSS

Years Ended September 30	2000	1999
Revenue	\$ 2,140,036	\$ 1,055,192
Direct costs		
Product cost	434,399	330,757
Freight	26,023	17,102
	<u>460,422</u>	<u>347,859</u>
Revenue less direct costs	<u>1,679,614</u>	<u>707,333</u>
Selling expenses		
Advertising and marketing	177,723	198,590
Commissions	364,559	215,524
Consulting fees	78,500	-
Meals and entertainment	15,798	-
Travel	30,331	109,546
	<u>666,911</u>	<u>523,660</u>
Administrative expenses		
Amortization	60,906	22,066
Automotive	4,739	13,177
Bad debts	-	91,857
Consulting fees	289,610	126,092
Insurance and licenses	73,525	44,923
Interest and bank charges	21,683	36,290
Interest on long term debt	75,340	52,095
Meals and entertainment	17,581	25,548
Office and occupancy costs	265,393	276,612
Professional fees and development	200,823	137,466
Public relations	127,139	68,172
Salaries and employee benefits	1,029,514	488,964
Travel	98,453	-
	<u>2,264,706</u>	<u>1,383,262</u>
Research and development expenses		
Amortization	90,335	52,448
Clinical studies and lab expenses	655,705	128,358
Consulting fees	496,736	605,756
Meals and entertainment	14,355	-
Salaries and employee benefits	705,809	574,614
Travel	89,661	74,928
Less: government grants received	(203,266)	(526,133)
	<u>1,849,335</u>	<u>909,971</u>
Loss before non-controlling interest share of loss	(3,101,338)	(2,109,560)
Non-controlling interest share of loss	<u>29,018</u>	<u>-</u>
Net loss	<u>\$ (3,072,320)</u>	<u>\$ (2,109,560)</u>
Loss per share (Note 2)	<u>\$ (0.06)</u>	<u>\$ (0.04)</u>
Weighted average number of shares	<u>53,052,220</u>	<u>47,496,625</u>

See accompanying notes to the consolidated financial statements.

CV TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF DEFICIT

Years Ended September 30	2000	1999
Deficit, beginning of year	\$ (4,820,973)	\$ (2,711,413)
Net loss	<u>(3,072,320)</u>	<u>(2,109,560)</u>
Deficit, end of year	<u>\$ (7,893,293)</u>	<u>\$ (4,820,973)</u>

See accompanying notes to the consolidated financial statements.

CV TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS

September 30	2000	1999
Assets		
Current		
Cash and cash equivalents	\$ 1,101,169	\$ -
Receivables	218,270	134,370
Inventory	1,061,921	799,793
Prepays	<u>215,855</u>	<u>12,039</u>
	2,597,215	946,202
Patents and registered trademarks (Note 4)	821,816	611,113
Capital assets (Note 5)	390,344	148,663
Deferred development costs	1,808,006	1,643,187
Goodwill, less amortization of \$41,665	<u>83,330</u>	<u>-</u>
	<u>\$ 5,700,711</u>	<u>\$ 3,349,165</u>
Liabilities		
Current		
Bank indebtedness (Note 6)	\$ -	\$ 280,473
Payables and accruals	463,284	564,792
Loan from shareholder	-	100,000
Current portion of obligation under capital lease	<u>88,436</u>	<u>2,036</u>
	551,720	947,301
Obligation under capital lease (Note 7)	80,117	2,220
Debentures payable (Note 8)	<u>577,513</u>	<u>622,487</u>
	1,209,350	1,572,008
Non-controlling interest	<u>642,479</u>	<u>-</u>
Shareholders' Equity		
Capital stock (Note 9)	11,742,175	6,598,130
Deficit	<u>(7,893,293)</u>	<u>(4,820,973)</u>
	<u>3,848,882</u>	<u>1,777,157</u>
	<u>\$ 5,700,711</u>	<u>\$ 3,349,165</u>

Going concern (Note 1)
 Commitments and contingencies (Note 15)

On behalf of the Board

 Director

 Director

See accompanying notes to the consolidated financial statements.

CV TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30 2000 1999

	2000	1999
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (3,072,320)	\$ (2,109,560)
Amortization	151,241	74,514
Non-controlling interest	(29,018)	-
	(2,950,097)	(2,035,046)
Change in		
Receivables	(73,383)	285,644
Inventory	(124,358)	228,233
Prepays	(203,591)	17,756
Payables and accruals	(244,567)	(72,310)
	(3,595,996)	(1,575,723)
Financing		
Repayment on capital leases	(104,860)	-
Repayment of loan to shareholder	(100,000)	-
Issuance of debentures	65,379	522,487
Issuance of capital stock, net of costs	4,933,692	1,473,127
	4,794,211	1,995,614
Investing		
Purchase of capital assets	(31,572)	(50,051)
Purchase of registered trademarks and patents	(258,953)	(122,305)
Business acquisition including cash acquired of \$683,771	638,771	-
Increase in deferred development costs	(164,819)	(175,300)
	183,427	(347,656)
Increase in cash and cash equivalents	1,381,642	72,235
Cash and cash equivalents		
Beginning of year	(280,473)	(352,708)
End of year	\$ 1,101,169	\$ (280,473)
<hr/>		
Cash and cash equivalents consist of:		
Cash	\$ 1,101,169	\$ -
Bank indebtedness	-	(280,473)
	\$ 1,101,169	\$ (280,473)

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

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).

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Management has a business plan that it believes will allow the Company to raise the required capital necessary to continue operations. The Company also has contractual commitments for funding subsequent to year end as described in Notes 9, 15 and 16.

These financial statements do not reflect the adjustments, if any, that might be necessary if the Company were not able to continue as a going concern, in which case the net realizable value of the Company's assets might be substantially less than the amounts recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting and reporting policies conform to generally accepted accounting principles and industry practice in Canada and in all material respects with international accounting standards.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 57.4% interest in ChemBioPrint Asia Limited.

Use of estimates

In preparing financial statements in conformity with 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. Actual results could differ from those estimates.

Revenue recognition

Revenue is recognized upon shipment of goods.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less. Long-term bank borrowings are considered to be financing activities.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Patents and registered trademarks

Patents and registered trademarks are recorded at cost and are amortized on a straight line basis over 10 to 20 years.

Capital assets

Capital assets are recorded at cost and amortization is provided for using the following methods and rates:

Furniture and equipment	20%, declining balance
Lab equipment	20%, declining balance
Leasehold improvements	50%, straight line
Equipment held for lease	20%, declining balance
Computer hardware	20%, declining balance
Computer software	100%

Deferred development costs

Development costs are capitalized for the technologies that are at a stage where potentially profitable markets have been identified and evaluated. Amortization of the development costs will commence with commercial production or use of the product or process being developed. As this stage has not been reached, no amortization has been made in the present period.

The recoverability of unamortized deferred development costs is periodically evaluated based on projected future revenues and net of associated costs, on a product-by-product basis.

Research and development

Research and development expenditures (except for capital assets) are charged to expenses as incurred unless a development project meets the generally accepted accounting criteria for deferral and amortization.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is amortized on a straight line basis over its estimated life of three years.

The Company reviews the recorded amounts of goodwill annually based on expected future cash flows of the entities to which goodwill relates. Based on such reviews, estimates of amortization periods may be revised and write-downs of goodwill may be recorded if necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Financial instruments

a) Fair value

The Company's financial instruments include cash and cash equivalents, receivables, bank indebtedness, payables and accruals, amounts due to shareholders, and debentures payable. It was not practical to determine the fair value of amounts due to shareholders. Amounts due to shareholders are interest bearing and were repaid during the year. The fair value of all financial instruments approximate their carrying values.

b) Interest rate risk

The Company's exposure to interest rate risk relates to the floating interest rate on bank indebtedness.

c) Credit risk

Credit risk arises from the possibility that the entities to which the Company sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance.

d) Foreign currency risk

The Company has transactions occurring 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 use derivative instruments to reduce its exposure to foreign currency risk. It is management's opinion that foreign currency risk is not significant.

Loss per share

Loss per common share is calculated on the basis of the weighted average number of common shares outstanding during the period. Calculating the fully diluted loss per share produces anti-dilutive results in each period.

Stock-based compensation plans

The Company has a stock-based compensation plan which is described in Note 9. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock.

3. BUSINESS ACQUISITION

On October 4, 1999 the Company entered into an agreement to acquire 1,246,200 of the issued and outstanding common shares of ChemBioPrint Asia Limited (ChemBioPrint) for a purchase price of \$145,000. The purchase price was settled by the Company providing ChemBioPrint a license valued at \$45,000 and the issuance of a \$100,000 promissory note. During the year the promissory note was converted by the holder into 277,777 shares of the Company. This acquisition was accounted for using the purchase method and the results from operations of ChemBioPrint, since the date of acquisition, are included in the Company's financial statements. Details of the acquisition are as follows:

Fair value of identifiable net assets acquired	\$ 20,005
Goodwill	<u>124,995</u>
Cost of net assets acquired for accounting purposes	<u>\$ 145,000</u>

4. PATENTS AND REGISTERED TRADEMARKS

		<u>2000</u>	<u>1999</u>
	Cost	Accumulated Amortization	Net Book Value
Patents	\$ 962,581	\$ 178,729	\$ 783,852
Registered trademarks	<u>54,046</u>	<u>16,082</u>	<u>37,964</u>
	<u>\$ 1,016,627</u>	<u>\$ 194,811</u>	<u>\$ 821,816</u>
			<u>\$ 611,113</u>

5. CAPITAL ASSETS

		<u>2000</u>	<u>1999</u>
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 80,549	\$ 42,936	\$ 37,613
Lab equipment	149,518	86,770	62,748
Leasehold improvements	10,436	10,436	-
Equipment under capital lease	269,157	27,675	241,482
Computer hardware	71,759	23,258	48,501
Computer software	<u>20,303</u>	<u>20,303</u>	<u>-</u>
	<u>\$ 601,722</u>	<u>\$ 211,378</u>	<u>\$ 390,344</u>
			<u>\$ 148,663</u>

6. BANK INDEBTEDNESS

The Company has available to it an operating line up to a maximum of \$350,000 based on accounts receivable and inventory. As of the year-end the Company had not drawn on the line (1999 - \$192,000). The operating line bears interest at Royal Bank of Canada prime rate plus 1.5% per annum and is repayable on demand. The collateral security lodged by the Company to support the operating line is a General Security Agreement.

7. OBLIGATIONS UNDER CAPITAL LEASE

Leases payable, bearing interest from 9.5% to 15.2%, repayable in monthly instalments totalling \$7,824, maturing in 2001 through 2003. The collateral security lodged by the Company to support the obligations is the related equipment under the lease.

	<u>2000</u>	<u>1999</u>
	\$ 168,553	\$ 4,256
Less: current portion	<u>88,436</u>	<u>2,036</u>
	<u>\$ 80,117</u>	<u>\$ 2,220</u>

The future minimum annual lease payments for the capital leases are as follows:

2001	\$ 104,145
2002	62,952
2003	<u>24,383</u>
	191,480
Less: imputed interest	<u>22,927</u>
Present value of net minimum payments	168,553
Less: current portion	<u>88,436</u>
	<u>\$ 80,117</u>

8. DEBENTURES PAYABLE

At year-end, the Company had debentures outstanding in the amount of \$500,000, bearing interest at a rate of 12% per annum. The debentures are convertible at the option of the holder into common shares of the Company any time prior to the maturity date at a conversion price of \$0.25 per share. Interest is payable upon redemption or conversion at maturity by way of conversion to additional common shares. During the year \$100,000 of debentures and \$10,353 of accrued interest were converted into shares. Details of the debentures are as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Accrued Interest</u>
April 9, 1999	April 9, 2001	\$ 200,000	\$ 35,497
September 30, 1999	September 30, 2001	100,000	12,000
September 30, 1999	September 30, 2001	100,000	12,000
March 31, 1999	March 31, 2001	<u>100,000</u>	<u>18,016</u>
		<u>\$ 500,000</u>	<u>\$ 77,513</u>

9. CAPITAL STOCK

Authorized:

- Unlimited number Class A voting common shares
- Unlimited number Class B non-voting common shares
- Unlimited number Class P preferred shares, voting rights to be determined prior to first issue.

Issued and outstanding:

	<u>Shares</u>	<u>Amount</u>
Balance, September 30, 1998	36,163,496	\$ 5,125,003
Private placements issued for cash consideration	4,617,154	936,060
Exercise of options	34,957	15,591
Exercise of agent's options for cash consideration	79,611	5,100
Prospectus offering for cash consideration	<u>3,015,557</u>	<u>678,500</u>
Balance before share issue costs	43,910,775	6,760,254
Less: share issue costs	-	<u>(162,124)</u>
Balance, September 30, 1999	43,910,775	6,598,130
Private placements issued for cash consideration	7,866,666	3,100,000
Exercise of options	411,831	169,898
Exercise of agent's options	291,245	72,811
Exchange from warrants	4,135,067	1,658,260
Conversion of debenture and interest	441,424	110,353
Conversion of debt	<u>277,777</u>	<u>100,000</u>
Balance before share issue costs	57,334,785	11,809,452
Less: share issue costs	-	<u>(67,277)</u>
Balance, September 30, 2000	<u>57,334,785</u>	<u>\$ 11,742,175</u>

9. CAPITAL STOCK CONTINUED

Stock-based compensation plans

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 10% of the outstanding common shares at the time of the grant. Options issued after the listing of the Company on the Canadian Venture Exchange shall have an exercise price not less than the minimum price required by the Canadian Venture Exchange.

As at September 30, 2000 there are 5,190,816 (1999 - 4,211,699) stock options outstanding exercisable at prices ranging from \$0.20 to \$0.72 and expiring between May 1, 2002 and March 27, 2005

Changes in the number of shares under option during each of the two years ended September 30, 2000 and 1999 are as follows:

	<u>2000</u>	<u>1999</u>
Balance, beginning of year	4,211,699	3,089,699
Granted	1,375,948	1,122,000
Exercised	(396,831)	-
Expired	-	-
	<u>5,190,816</u>	<u>4,211,699</u>

Subsequent to the year-end, options to purchase 35,000 shares were exercised.

Warrants

The Company has 1,666,667 warrants outstanding at September 30, 2000 (1999 - 3,144,646). These warrants are convertible at the option of the holder into common shares at a price ranging from \$0.35 to \$1.50 per share and expire April 9, 2001 to September 30, 2001.

Changes in the number of warrants outstanding during each of the two years ended September 30, 2000 and 1999 are as follows:

	<u>2000</u>	<u>1999</u>
Balance, beginning of year	3,144,646	-
Granted	3,013,333	3,144,646
Exercised	(4,426,312)	-
Expired	(65,000)	-
	<u>1,666,667</u>	<u>3,144,646</u>

Subsequent to the year-end, 666,667 warrants were issued (Note 16).

During the year the Company entered into an agreement with a shareholder to purchase 6,000,000 newly issued common shares for \$1.00 per share in three phases. 2,000,000 common shares were purchased during the year and 666,667 warrants to purchase shares at \$1.50 were granted. An additional 2,000,000 shares at \$1.00 per share are to be purchased in the period July 1, 2000 to October 30, 2000. Upon purchase of these shares an additional 666,667 warrants to purchase shares at \$1.50 per share will be granted. An additional 2,000,000 common shares at a price of \$1.00 per share are to be purchased in the period January 1, 2001 to April 1, 2001. Upon purchase of these shares an additional 666,667 warrants to purchase shares at \$1.50 will be granted.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2000</u>	<u>1999</u>
Interest paid	<u>\$ 18,703</u>	<u>\$ 56,866</u>
Non-cash investing and financing activities:		
Capital assets acquired by means of capital leases	\$ 269,157	\$ 4,767
Shares issued in consideration for investment	\$ 100,000	\$ -
Shares issued in consideration for debenture	\$ 110,353	\$ -

11. RELATED PARTY TRANSACTIONS

Included in debentures payable is accrued interest of \$18,016 payable to an officer of the Company.

12. INCOME TAXES

Non-capital losses

The Company has non-capital losses available for carry-forward of \$7,000,316 (1999 - \$4,026,874) and tax credits of \$332,730 (1999 - \$332,730). The benefits of these losses and tax credits have not been recognized in these financial statements.

These losses and credits are available to reduce income taxes in future years and if not utilized will expire as follows:

	<u>Income Tax Losses</u>	<u>Investment Tax Credits</u>
2002	\$ 425,395	\$ 66,098
2003	1,070,059	41,489
2004	289,062	182,264
2005	177,717	42,879
2006	2,064,641	-
2007	2,973,442	-
	<u>\$ 7,000,316</u>	<u>\$ 332,730</u>

12. INCOME TAXES CONTINUED

The Company has an unclaimed Scientific Research and Experimental Development expenditure pool of \$1,663,596 (1999 - \$1,663,596). This can be carried forward indefinitely and used to reduce future taxable income.

Temporary differences

A future income tax asset or liability results when the carrying amounts of assets and liabilities for financial reporting purposes differs from amounts used for income tax purposes. This deductible temporary difference will result in lower taxable income in future years. Significant components of the Company's future tax assets as at September 30, 2000 are as follows:

Deductible temporary differences:	
Capital and other assets	\$ 273,534
Share issue costs	205,649
Non-capital losses and SR & ED expenditures carried forward	<u>8,663,912</u>
Net deductible temporary differences	<u>\$ 9,143,095</u>

For financial statement purposes, no future income tax asset has been recorded at September 30, 2000.

13. COMPARATIVE FIGURES

Certain prior-year figures have been reclassified to conform to the current-year presentation.

14. SEGMENTED INFORMATION

	<u>2000</u>	<u>1999</u>
Geographic information		
Revenue		
United States	\$ 5,000	\$ -
United Kingdom	-	47,898
Australia	25,000	-
Brazil	-	60,297
Canada	<u>1,158,947</u>	<u>792,855</u>
	<u>\$ 1,188,947</u>	<u>\$ 901,050</u>

During 2000 a major customer accounted for \$1,102,611 of the Company's sales.

15. COMMITMENTS AND CONTINGENCIES

- a) The Company has an agreement with the National Research Council of Canada to obtain assistance of \$495,000 for research and development expenditures. \$115,940 (1999 - \$99,646) of this grant was received and credited to earnings during fiscal 2000. As at September 30, 2000 \$279,414 (1999 - \$395,354) of funding is still available to the Company from the grant.

The Company is obliged to repay the financial assistance by way of 1.5% of the Company's gross revenues up to a maximum of \$742,000, which is 150% of the original contribution amount. The obligation to pay terminates at the earlier of the full repayment of the \$742,000 or 10 years after the start of the repayment period. Any repayment of this financial assistance will be charged to earnings in the year it occurs. The Company is not obliged to repay any of the grant received should the Company have no future revenues on product sales.

- b) The Company has an agreement with AVAC Ltd. whereby AVAC Ltd. has committed to advance up to \$500,000 to the Company to fund continued development of the proprietary ChemBioPrint™ technology platform. None (1999 - \$300,000) of this investment was received and credited to earnings during fiscal 2000. As at September 30, 2000 \$200,000 of funding is still available to the Company from this grant.

Any repayment of this obligation will be charged to earnings in the year it occurs. The Company is obliged to repay the obligation by way of 1.5% of the Company's gross revenues up to two (2) times the gross amount invested by AVAC Ltd. (to a maximum of \$1,000,000). Royalty payments will commence with the quarter ending March 31, 2001. The Company is not obliged to repay any of the investment received should the Company have no future revenues on product sales.

- c) The Company has leased premises requiring minimum annual lease payments of \$74,700 for the next five years, \$52,290 for the following two years, and \$99,600 for the final two years. The lease expires September, 2010.

16. SUBSEQUENT EVENT

On November 15, 2000 a shareholder exercised options to purchase 2,000,000 shares at \$1 per share as per the agreement disclosed in Note 9. 666,667 warrants were also issued to the shareholder and they can be exercised for one common share each at \$1.50 per share. The warrants expire November 14, 2001.

During the year the Company initiated a normal course issuer bid. The Company had until December 15, 2000 to repurchase issued and outstanding shares. As of December 15, 2000, 250,000 shares were repurchased.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ken H. G. Broadfoot
Vice-President
CV Technologies Inc.

James H. Bruce
President and CEO
CV Technologies Inc.

Bruce Buchanan (2)
Corporate Director

Robert B. Church, Ph.D. (1) (2)
Professor Emeritus
Dept. of Medical Biochemistry, University of Alberta
Chairman, Alberta Science and Research Authority

Peter K. T. Pang, Ph.D., D.Sc. (2)
Professor Emeritus
Dept. of Physiology, University of Alberta
Chairman and Chief Science Officer
CV Technologies Inc.

Jacqueline J. Shan, Ph.D., D.Sc.
Senior Vice-President
Research and Development
CV Technologies Inc.
Adjunct Professor, University of Alberta

Edward J. Wetherbee (1)
CEO, Colorado Greenhouse Holdings

Notes:

- (1) Member of Audit Committee
- (2) Member of Compensation Committee

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President and CEO

Peter K. T. Pang, Ph.D., D.Sc.
Chairman and Chief Science Officer

Jacqueline J. Shan, Ph.D., D.Sc.
Senior Vice-President Research and Development

Ken H. G. Broadfoot
Vice-President

Jeff Williams
Chief Financial Officer

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