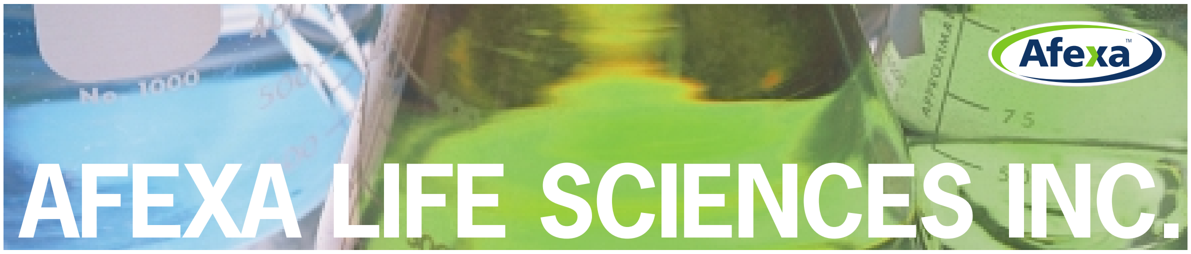

AFEXA LIFE SCIENCES INC.

SECOND QUARTER REPORT For the six month period ended March 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Advisory Regarding Forward-Looking Statements

Management's discussion and analysis ("MD&A") contains certain forward-looking statements and information within the meaning of applicable securities laws, which reflect current expectations of the management of Afexa Life Sciences Inc. ("Afexa" or the "Company") regarding future events or the Company's future performance, including, without limitation, statements relating to the timing and/or initiation of clinical trials, clinical trial results, introduction of new products and associated regulatory clearances, economic or financial trends or expectations, financing, acceptance of the Company's products in the marketplace and the hiring or retention of personnel. Forward-looking statements are often, but not always, identified by the use of words such as "expect", "anticipate", "seek", "aim", "continue", "estimate", "objective", "ongoing", "may", "will", "would", "project", "could", "should", "might", "believe", "plans", "targets", "intends" and similar expressions. All statements other than statements of historical fact contained in this MD&A may be forward-looking statements. The forward-looking information included in this document does not guarantee future performance and should not be unduly relied upon. Such information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information, including, without limitation, the impact of competition; consumer confidence and spending levels; general economic conditions; interest and currency exchange rates; unseasonable weather patterns; the cost and availability of capital; the cost and availability of grants/funding, product development uncertainties and labour market challenges. The Company believes that the expectations and assumptions reflected in the forward-looking information and statements contained herein are reasonable but no assurance can be given that these expectations and assumptions are correct and that the results, performance or achievements expressed in, or implied by, forward-looking statements herein will occur, or if they do, that any benefits may be derived from them. The Company assumes no duty to update or revise forward-looking information, except as may be required pursuant to applicable laws. All forward-looking statements are expressly qualified in their entirety by this cautionary statement.

The forward-looking information and statements contained in this MD&A speak only as at the date of this MD&A, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Other Advisories Regarding this Report

The following MD&A for the three and six month periods ended March 31, 2009 for Afexa, prepared as at May 13, 2009, should be read in conjunction with the Company's MD&A, audited consolidated financial statements and accompanying notes for the year ended September 30, 2008. The MD&A contains disclosure of material changes occurring up to and including May 12, 2009. The consolidated financial statements of Afexa are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. All references to GAAP refer to Canadian generally accepted accounting principles. These accounting principles require the Company to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and assumptions, which it relies upon, are reasonably based on information available at the time that these estimates and assumptions were made. These estimates and assumptions have been discussed with the Audit Committee of the Board of Directors of Afexa. Actual results may differ under different assumptions and conditions.

Additional information on the Company, including the Company's most recently filed Annual Information Form, MD&A and audited financial statements, is available at www.sedar.com.

COMPANY OVERVIEW

Afexa Life Sciences Inc. is a life sciences and technology company, founded in 1992 and headquartered in Edmonton, Alberta, Canada. The Company has developed, commercialized and patented a proprietary technology, known as ChemBioPrint®, which is used in the discovery and biological standardization of natural products that deliver consistent, verifiable and provable health benefits. Using the ChemBioPrint® discovery and standardization platform, the Company's scientists are able to identify precisely the chemical profile and biological activity of natural products. The process involves a combination of chemical and biological fingerprinting to ensure that the creation and scientific substantiation of its natural health products is safe, effective and consistent. The Company is committed to using a pharmaceutical model (involving rigorous drug discovery and testing methods) to develop natural therapeutics for health maintenance and disease prevention. Its efforts in scientific research and product innovation are key factors in enabling the Company to secure the trust of consumers, trade professionals, healthcare practitioners and government. The Company's lead product, COLD-FX®, is designed to aid in the prevention and relief of colds and flu by strengthening the immune system. COLD-FX® continues to be the number one selling cold and flu remedy in Canada (source: Nielsen Brand Overview, National All Channels Total Cold Remedies (including Antihistamines), and Natural Supplements for 52 Weeks Ended March 14, 2009).

The vision of the Company is to develop and promote evidence-based, safe and effective natural medicines for disease prevention and health maintenance. This vision continues to be a basic premise for the business, and management's intent is to become a leader in Canada in preventative health care.

RECENT EVENTS

Olympic sponsorship

On January 20, 2009, the Company announced it entered into an agreement with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("VANOC"). The agreement provides the Company exclusive sponsorship rights in Canada in the "Over the Counter Cold and Flu Remedy" product category. COLD-FX®'s four-year Official Supplier partnership with VANOC provides sponsorship rights for the 2010 Winter Games. As part of the sponsorship, the Company will make a financial investment in the Games and will also provide COLD-FX® to VANOC for its distribution. During the 2010 Winter Games, COLD-FX® will be available at general stores within the Olympic and Paralympic Villages in Vancouver and Whistler. COLD-FX® will also serve as Official Supplier for the Canadian Olympic Teams competing at the 2010 Winter Games and the London 2012 Olympic Games. To leverage the sponsorship agreement, in addition to the Company's ongoing relationship with the seven Olympic sport centers across Canada, the Company has also sponsored a number of Olympic athletes including, Clara Hughes, five time Olympic medalist and world champion speed skater, Joannie Rochette, five time Canadian figure skating champion and world championship silver medalist, Paul Rosen, Olympic gold medalist and four time ice sledge hockey world champion, Chandra Crawford, Olympic gold medalist cross country skier, and Steve Omischl, three time Canadian champion and world cup freestyle aerial skier. The Company has also entered into official supplier arrangements with Alpine Canada and the Canadian Snow Sports Association.

On April 1, 2009, the Company announced that it changed its name from CV Technologies Inc. to Afexa Life Sciences Inc. The change was approved by shareholders at the Company's Annual General and Special Meeting held on March 26, 2009. In conjunction with the change in name, the ticker symbol the Company's common shares trade under on the Toronto Stock Exchange also changed from CVQ to FXA. The name change is part of a broader branding plan, which will leverage the brand equity associated with COLD-FX®.

HIGHLIGHTS

Combined retailer sales to consumers of regular and extra strength COLD-FX® have increased 5%, for the 24 weeks ended March 14, 2009, as compared to the corresponding period in 2008, per point of sales data received from Nielsen, and the Company remains the number one selling cold and flu remedy in Canada for the 52 and 12 week periods ended March 14, 2009.

On a quarterly basis, COLD-FX® consumption has trended in a similar fashion to incidences of colds and flu as measured by Surveillance Data Inc., a healthcare analytic organization. In the 12 week period ended December 20, 2008, which falls within the Company's fiscal 2009 first quarter, colds and flu incidences were up 50% and COLD-FX® unit consumption was up over 11% as compared to the same period in the prior year. In the 12 week period ended March 14, 2009, which falls within the Company's fiscal 2009 second quarter, colds and flu incidences were down 9% versus the corresponding period in the prior year and COLD-FX® unit consumption was down 1% versus the same period in the prior year. In total for the 24 weeks ended March 14, 2009, consumption of COLD-FX® was up 5% versus the previous year and the incidences of cold and flu were up 13%.

Despite the increase in end user consumer purchases in the first quarter of fiscal 2009 and only a moderate decrease in consumer demand in the second quarter, the Company's revenue for the three months and six months ended March 31, 2009 was $4.6 million and $6.2 million lower at $6.1 million and $25.8 million, respectively, as compared to the corresponding periods in fiscal 2008. The reduction in revenue is due to several factors:

- The Company's strategy in the fourth quarter of fiscal 2008 was to ensure that all customers were well positioned with product at the beginning of the winter cold and flu season, and shipments during the fourth quarter last year were stronger than historical shipments. The Company's management believes that end user consumer consumption increase illustrates the success of the plan, as stores were well stocked with product as the season began.
- Retailers have significantly reduced inventory positions across their stores including our products with the goal of retaining cash in uncertain economic times. Just in time inventory purchases from suppliers is a significant change in the way they do business. The Company's top five customers' orders were down 36% and 22%, respectively, in the three and six month periods ended March 31, 2009, as compared to the same period in 2008.
- Affecting revenue in the six month period ended March 31, 2009 was a first quarter change in product sizing negotiated with one of the Company's major accounts. Production and shipping time resulted in reduced revenue from this account in the first quarter and the revenue was not made up in the second quarter due to reduced orders from all accounts.

A net loss of $3.2 million was incurred in the second quarter, which is $2.4 million higher than the loss incurred in the second quarter of 2008. The year over year higher loss is primarily due to lower revenue. Gross margin of 50.6%, as compared to 70.2% in the second quarter of 2008 is also lower because the lower revenue achieved did not average down fixed costs in logistics, quality control and trade spending.

The Company continues to maintain a strong combined cash, cash equivalents and short-term investments balance of $9.4 million at March 31, 2009, similar to the $9.4 million balance carried at the Company's September 30, 2008 year end balance as cash flow prior to working capital changes remains positive. The Company maintained relatively constant inventory levels over the three and six month periods ended March 31, 2009.

Summary of consolidated financial results

The following table summarizes key financial data and should be read in conjunction with the Company's March 31, 2009 quarterly financial statements. Such financial statements are prepared in accordance with GAAP and are reported in Canadian dollars.

Summary of consolidated financial results

(in thousands except for per share amounts)	Three months ended March 31		Six months ended March 31	
	2009	2008	**2009**	2008
Revenue	**$ 6,119**	$ 10,715	**$ 25,840**	$ 31,990
EBITDA[1]	**(4,039)**	(624)	**659**	9,924
Net (loss) earnings	**(3,168)**	(768)	**(361)**	6,031
(Loss) earnings per common share - basic	**(0.03)**	(0.01)	**(0.00)**	0.06
(Loss) earnings per common share - diluted	**(0.03)**	(0.01)	**(0.00)**	0.06
Cash flow prior to working capital changes[1]	**(2,692)**	(68)	**164**	7,119

	As at March 31, 2009	As at September 30, 2008
Working capital[1]	**$ 13,867**	$ 13,742
Total assets	**38,704**	41,850
Total long-term debt and obligations under capital lease (including current portion)	**6,690**	7,021
Shareholders' equity	**21,200**	21,282

There was no income or loss caused by discontinued operations and/or extraordinary items.

[1] *EBITDA, cash flow prior to working capital changes and working capital are non-GAAP measures and may not be comparable to similar measures presented by other issuers. Reconciliations of these measures to the most directly comparable financial measure calculated and presented in accordance with Canadian GAAP along with explanations as to why they are used is provided below in the "Non-GAAP Financial Measures and Reconciliations" section.*

NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

Normally, a non-generally accepted accounting principles (non-GAAP) financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. Working capital, EBITDA, and cash flow prior to working capital changes are not measures of financial performance (nor do they have standardized meanings) under GAAP. In evaluating these measures, investors should consider that the methodology applied in calculating such measures may differ among companies and analysts.

The Company uses both GAAP and certain non-GAAP measures to assess performance. Management believes these non-GAAP measures provide useful supplemental information to investors in order that they may evaluate the Company's financial performance using the same measures as management. The Company's management believes that, as a result, information provided to the investor is more transparent in assessing the financial performance of the Company. Investors should not consider these non-GAAP financial measures as a substitute or superior to the measures of financial performance prepared in accordance with GAAP.

Working capital

The definition of working capital is current assets less current liabilities. The Company uses working capital as a supplemental financial measure of its liquidity and operational performance.

Working capital

(in thousands)	As at March 31, 2009	As at September 30, 2008
Current assets	$ 25,147	$ 27,716
Current liabilities	11,280	13,974
Working capital	$ 13,867	$ 13,742

EBITDA

EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. The Company uses EBITDA as a supplemental financial measure of its operational performance. Management believes EBITDA to be an important measure as it excludes the effects of items that primarily reflect the impact of long-term investment decisions, rather than the performance of the Company's day-to-day operations and is used by the Company's lenders in computing certain covenants. As compared to net earnings according to GAAP, this measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the Company's business. Management evaluates such items through other financial measures such as capital expenditures and cash flow provided by operating activities. The Company believes that this measurement is useful to assess a company's ability to service debt and to meet other payment obligations and as a valuation measurement.

The following is a reconciliation of EBITDA to net (loss) earnings, the most directly comparable financial measure calculated and presented in accordance with GAAP.

EBITDA

(in thousands)	Three months ended March 31		Six months ended March 31	
	2009	2008	2009	2008
Net (loss) earnings	$ (3,168)	$ (768)	$ (361)	$ 6,031
Current income taxes	(1,221)	(270)	605	3,293
Future income taxes	(5)	67	(304)	114
Amortization	317	289	630	369
Interest and bank charges	100	165	227	243
Interest revenue	(62)	(107)	(138)	(126)
EBITDA	$ (4,039)	$ (624)	$ 659	$ 9,924

Cash flow prior to working capital changes

Below is a reconciliation of "cash flow prior to working capital changes" to cash provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with Canadian GAAP.

The Company uses cash flow prior to working capital changes as a supplemental financial measure in its evaluation of liquidity. Management believes that adjusting principally for the swings in non-cash working capital items due to seasonality assists management in making long-term liquidity assessments. The Company also believes that this measurement is useful as a liquidity and valuation measurement.

Cash flow prior to working capital changes

(in thousands)	Three months ended March 31		Six months ended March 31	
	2009	2008	2009	2008
Cash (used in) provided by operating activities	$ (3,336)	$ 4,910	$ 1,551	$ 13,845
Change in non-cash operating working capital	700	(2,327)	(1,291)	1,139
Change in non-current deferred revenue	–	(20)	–	(514)
Change in non-current inventory	(56)	(2,631)	(96)	(7,351)
Cash flow prior to working capital changes	$ (2,692)	$ (68)	$ 164	$ 7,119

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2009

Revenue

The higher incidences of colds and flu experienced in the first quarter of fiscal 2009 did not continue into the second quarter. Colds and flu illness decreased by 9% for the 12 weeks ended March 14, 2009, as compared to the same period in the prior year as reported by Surveillance Data Inc. The decrease in colds and flu did have an impact on consumer purchases of COLD-FX®. Although COLD-FX® remains the number one selling cold and flu remedy in Canada for the 52 and 12 week periods ended March 14, 2009, sales to end consumers of regular and extra strength COLD-FX® decreased by 1% in this last 12 week period, according to point of sales data received from Nielsen. Though consumer unit volume only decreased by 1% the Company's 2009 fiscal second quarter revenue of $6.1 million decreased 42.9% or $4.6 million from the $10.7 million of revenue recorded in the second quarter of fiscal 2008.

The Company's major retail customers are reducing store inventory levels as part of their strategy to preserve cash in uncertain economic times. Some retail customers are moving towards a just-in-time inventory replenishment practice. Store inventories of COLD-FX® at the end of the Company's fiscal 2008 fourth quarter were also at historic highs due to the Company's success in increasing product shipments to better position for the beginning of the winter cold and flu season. The combination of historically higher store inventories at the beginning of the cold and flu season, a reduction in cold and flu incidences and retail customer strategies of reducing overall store inventories has resulted in the significant reduction in second quarter revenue.

Revenue for the six months ended March 31, 2009 was $25.8 million, a decrease of $6.2 million (19.2%), as compared to the $32.0 million for the six months ended March 31, 2008. Reduced revenue in the first quarter of 2009 was primarily attributed to reduced purchases from one of the Company's major retail customers, and the year to date reduction is also due to reduced purchases from all of the Company's customers as all have begun to reduce their in store inventories. For the six months ended March 31, 2009, the Company had three customers (2008 – four), which individually generated greater than 10% of the period's total revenue. Combined, these customers accounted for 62% (2008 – 79%) of the period's total revenue.

Revenue from the Company's United States customers was $0.3 million in the second quarter of fiscal 2009 which is $0.2 million lower than the same period in the prior year, while year to date United States revenue is consistent with the prior year's at $0.9 million. The Company continues to focus its marketing and sales activities in Canada and management continues to expect a reduction in revenue from the United States.

Cost of goods sold and gross margin

Gross margin for the three and six month periods ended March 31, 2009 was 50.6% and 66.6%, respectively, as compared to 70.2% and 72.9% in the prior fiscal year's corresponding periods. The second quarter decrease is due to fixed costs not being averaged down because of lower revenue. In addition to the per-unit cost of inventory sold, cost of goods includes period costs for overheads in the warehousing and logistics departments. These overheads are relatively constant regardless of revenue volume. Trade spending also reduces gross margin and this cost was fixed in earlier quarters based on defined programs entered into with retail customers. Trade spend as a percentage of revenue was also not averaged down due to the lower revenue earned in the quarter. Impacting both the current fiscal year's second quarter and year to date margins are the write-downs of inventory totaling $0.3 million and $0.9 million, respectively. The write-downs relate primarily to changes in packaging.

Selling, general and administrative

Selling, general and administration costs of $6.0 million in the second quarter of fiscal 2009 are $0.9 million lower than in the same period in fiscal 2008. The decrease in the quarter's costs primarily relates to a decrease in marketing expenditures despite the incurrence of additional sponsorship costs related to the Company's January 20, 2009 announced agreement with VANOC to become the exclusive sponsor in the cold and flu remedy product category for the Vancouver 2010 Olympic and Paralympic Winter Games. The Company also entered into a number of athlete sponsorship agreements in the current fiscal year's second quarter to leverage the VANOC agreement. The Olympic related expenditures in the second quarter, however, were lower than the second quarter 2008 marketing costs due to the 2008 second quarter expenditures being increased to correspond to an increase in cold and flu incidences while being reduced in the second quarter of 2009 as cold and flu incidences were in decline.

Selling, general and administration costs of $14.2 million in the six month period ended March 31, 2009 are $2.9 million higher that in the same period in fiscal 2008 as the Company increased marketing spending in the first quarter of fiscal 2009 for its lead product, COLD-FX® with the increased incidence of colds and flu in Canada. The Company initiated a number of television and print ads in the first quarter of fiscal 2009 in areas of Canada where cold and flu incidences were increasing. Based on data received by the Company, there was a projected 39% increase in the population affected by respiratory illnesses over the five year average in the first quarter of 2009. Management believes that the increase in Company advertising during the first quarter raised consumer awareness of its product and contributed to an 11% increase in off-the-shelf sale of COLD-FX® by its retail customers in the 12 weeks ended December 20, 2008 as compared to the comparative period in the prior year. The off-the-shelf sales data was obtained through a regularly updated brand ranking report prepared by Nielsen. Advertising expenses in the United States in the first quarter of 2009 were limited to $0.2 million and no advertising expenditures were incurred in the United States in the second quarter of fiscal 2009. Also contributing to the increase in expenditures was an increase in professional fees related to various initiatives throughout the Company. Severance and recruiting costs were also increased in the year as the Company strives to put in place the right complement of staff. Year to date Olympic related program spending totals $1.4 million.

Research and development

Research and development costs of $0.8 million and $1.6 million in the three and six month periods ended March 31, 2009, are $0.1 million and $0.4 million higher, respectively, than the amounts incurred in the corresponding periods in fiscal 2008. The Company continues to focus more resources towards research and development activities in order to further develop new products. The increase in expenditures in the second quarter of fiscal 2009 is due to an increase in staff and an increase in clinical trial activity. The Company continues to focus on reducing the time required to complete research on new product development and to commence additional research on new compounds that may potentially become commercial products. Partially offsetting the increase in expenditures is the recording of $0.2 million of scientific research and experimental development tax credits ("SR&ED") in the first quarter of fiscal 2009 and an additional $0.1 million of SR&ED in the second quarter.

EBITDA

The fiscal year to date EBITDA decreased by $9.3 million to $0.7 million as compared to the first six months of fiscal 2008, due to a decrease in revenue and margins, and an increase in selling, general and administration costs as described earlier in this report.

Amortization

In the second quarter of fiscal 2008, the Company completed and moved into a new Corporate Headquarters and Research Centre in Edmonton, Alberta. Amortization in the second quarter of fiscal 2009 approximates the amount expensed in the second quarter of fiscal 2008, with a moderate increase due to lab and office equipment added over the past twelve months. Year to date amortization is $0.3 million higher than the corresponding period in fiscal 2008, primarily due to the new facility.

Interest expense, bank charges, and interest revenue

The majority of the Company's utilized bank financing is for a mortgage secured by the Company's facilities in Edmonton, Alberta. The mortgage's current interest rate fluctuates based on bank prime lending rates. Bank prime lending rates have fallen and therefore the interest on the mortgage has reduced correspondingly. Also, a reduction in fees has been experienced due to the elimination of a 0.5% per month fee paid to a shareholder and former director of the Company. As part of the Company's former credit agreement negotiated in 2007 with its lenders, this shareholder provided the Company with a guarantee of $5.0 million, at a fee of 0.5% per month. This fee was expensed as interest, bank charges and fees. The Company negotiated with its lender the removal of this guarantee in July 2008 and at that time the fee from the shareholder ceased. Interest revenue is lower in the second quarter of 2009 as compared to the corresponding period in fiscal 2008 due to lower interest rates and lower surplus cash balance being carried throughout the second quarter of fiscal 2009 as compared to the same period in 2008.

Stock based compensation

Stock based compensation decreased by $0.1 million and $0.4 million, respectively, for the three and six month periods ended March 31, 2009, as compared to the same period in 2008, due primarily to the forfeiture of options by people who have left the Company. On January 21, 2009, the Company's Board of Directors approved amendments to 2,050,000 options 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. Such performance-based vesting provisions had not been consistently applied to all grants of options by the Company, and a decision was made by the Company's Board of Directors to standardize and simplify the vesting of options through the removal of performance-based vesting provisions from all options. The relevant options will remain subject to time-based vesting provisions set in accordance with the relevant provisions of the stock option plan. On March 25, 2009, 1,285,000 options where granted as part of a Company wide employee option grant.

Foreign currency gains and losses

The Company is invoiced for certain services and materials in foreign currencies (primarily United States dollars) and has foreign operations whose statutory accounts are denominated in United States dollars. These foreign operations are integrated with the Company's consolidated operations and thus under GAAP monetary items, are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; revenue and expense items are translated at the exchange rate in effect on the dates they occur; depreciation or amortization of assets are translated at historical exchange rates using the same historical exchange rate as the assets to which they relate. The Company did not enter into any foreign currency hedge instruments in fiscal 2008 or during the first two quarters of fiscal 2009. Canadian/United States exchange rates have fluctuated from $Cdn1.00:$U.S.0.94 at the beginning of the current fiscal year to $Cdn1.00:$U.S.0.81 at the end of the second quarter of fiscal 2009. A foreign exchange loss of $0.6 million has resulted for the six month period ended March 31, 2009.

Income taxes

Due to a pre-tax loss of $4.4 million in the second quarter of 2009 an income tax recovery of $1.2 million was recorded, reducing the fiscal year to date income tax expense to $0.3 million. The fiscal year to date income tax expense is $3.1 million lower than the same period in fiscal 2008 due to earnings before income taxes being $9.5 million lower than the $9.4 million pre-tax earnings experienced in the first six months of fiscal 2008.

Quarterly information

(in thousands except for per share amounts)	For the year ended September 30							
	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$6,119**	$19,721	$14,044	$3,355	$10,715	$21,275	$8,355	$3,215
Net (loss) earnings	**(3,168)**	2,807	531	(1,970)	(768)	6,799	(1,080)	(1,871)
(Loss) earnings per common share - basic	**(0.03)**	0.03	0.00	(0.02)	(0.01)	0.07	(0.01)	(0.02)
(Loss) earnings per common share - diluted	**(0.03)**	0.03	0.00	(0.02)	(0.01)	0.06	(0.01)	(0.02)

There was no income or loss caused by discontinued operations and/or extraordinary items.

The most significant portion of the Company's revenue is from the sale of COLD-FX®. The sales of this product exhibit a seasonal pattern tied to the frequency and severity of colds and flu. Consumer purchases are affected by factors that also include the weather. This affects the volume and timing of sales. The fourth quarter of the Company's fiscal year corresponds to the time that most of the Company's major customers commence stocking up on cold and flu products in anticipation of demand in the late fall and winter months when, historically, cold and flu incidence rises. Further orders are made for restocking of product once the cold and flu season commences, which typically corresponds to the Company's first quarter. The Company's second quarter corresponds to the time that cold and flu incidence is on the decline and the third quarter is historically the lowest revenue quarter as colds and flu incidence is typically at its lowest. The Company aims to time marketing expenditures with anticipated increases in cold and flu activity; however, depending on specific marketing programs these expenditures may not fall within the quarters for which revenue is derived. Revenue in the second quarter of 2009 is lower than the second quarter of 2008 primarily due to the reduced orders for the Company's lead product COLD-FX®, which management believes is due to the Company's retail customers reducing store inventories in uncertain economic times.

LIQUIDITY AND CAPITAL RESOURCES

The Company's main sources of capital, in the most recently completed quarter, were the use of the Company's cash on hand built up through operating activities in prior periods. The Company's operating line of credit was not utilized in the period. The Company's primary use of cash was the funding of operating activities as a loss was incurred in the period. To a lesser extent, capital was used in the quarter to finance capital expenditures, make principal payments on long-term debt, and finance the repurchase of shares under a normal course issuer bid. On an annual basis, the Company's main sources of capital are from cash flows from operations and borrowings under its credit facilities. The primary uses of cash are the financing of working capital and capital expenditures.

The Company's third quarter historically generates lower revenue due to the seasonality of sales of its main product, COLD-FX®. Cash-flow fluctuates because of cash out-flow requirements for inventory production, with higher activity in the third quarter required to build up inventories prior to the cold and flu season. Cash in-flows from the collection of receivables are higher in the first and second quarter as customers pay for invoices issued in the previous month's peak sale periods.

The Company's working capital and capital expenditure requirements depend upon numerous other factors including, but not limited to, the success and timing of the introduction of new products or entry into new markets, consumer demand, rights of return held by customers, timing of market development programs, construction costs, and long-term focus on product research and development activities. The Company anticipates that cash generated from operations, and availability of its bank operating line will be sufficient to meet its cash requirements beyond the next twelve months.

Selected cash flow and capitalization data

(in thousands)	Three months ended March 31		Six months ended March 31	
	2009	2008	**2009**	2008
Cash flow prior to working capital changes[1]	**$ (2,692)**	$ (68)	**$ 164**	$ 7,119
Cash (used in) provided by operating activities	**(3,336)**	4,910	**1,551**	13,845

	As at March 31, 2009	As at September 30, 2008
Cash and cash equivalents and short-term investments combined	**$ 9,379**	$ 9,396
Working capital[1]	**13,867**	13,742
Long-term debt and obligations under capital lease (including current portion)	**6,690**	7,021

[1] *Cash flow prior to working capital changes and working capital are non-GAAP measures and may not be comparable to similar measures presented by other issuers. Reconciliations of these measures to the most directly comparable financial measure calculated and presented in accordance with Canadian GAAP along with explanations as to why they are used is provided earlier in the "Non-GAAP Financial Measures and Reconciliations" section.*

Cash and working capital

At March 31, 2009, the Company had $4.2 million (September 30, 2008 – $4.3 million) of cash and cash equivalents on hand and a short-term investment of $5.2 million (September 30, 2008 – $5.1 million) consisting of a cashable guaranteed investment certificate, which carries an interest rate of 3.25%. The Company's working capital at March 31, 2009 was $13.9 million (September 30, 2008 – $13.7 million), but down from $17.7 million from December 31, 2008 due to losses sustained in the current quarter and the utilization of $0.9 million to purchase shares under a normal course issuer bid in the second quarter of fiscal 2009.

Cash provided by operating activities

Cash flow prior to working capital changes decreased by $2.6 million and $7.0 million, respectively, in the three and six month periods ended March 31, 2009, as compared to the same periods in fiscal 2008 primarily due to the reduction in net income. Reduced earnings is due to lower revenue and margins, and increased selling, general and administration expenses as discussed earlier.

Cash flow used in investing activities

Capital expenditures for the three month period ended March 31, 2009 of $0.2 million bring the fiscal year to date expenditures to $0.3 million. These expenditures in the first two quarters of 2009 are primarily for lab equipment for the Company's Corporate Office and Research Facility located in Edmonton, Alberta. Construction of this facility was completed in the second quarter of fiscal 2008. Capital expenditures in the first two quarters of 2008 of $3.1 million are primarily related to the construction cost of the facility.

Cash flow from financing activities

In 2008, the Company completed the construction of a new facility in Edmonton, Alberta. The construction of the facility was partially financed by a term facility provided under the Company's credit agreement with $2.3 million of the facility drawn in the first quarter of fiscal 2008, with the proceeds used primarily to repay short-term borrowings drawn to fund payables associated with the construction. In the first and second quarter of fiscal 2009, financing activities are primarily limited to repayment of long-term debt and purchase of Company shares through a normal course issuer bid in the second quarter.

Capital requirements and capitalization

At March 31, 2009, the Company had obligations to repay within one year $0.7 million of long-term debt and obligations under capital leases and make payments of less than $0.2 million under operating lease agreements for premises and miscellaneous equipment. In the normal course of business, the Company has entered into a commitment to purchase raw materials for the production of its lead product COLD-FX® for $2.4 million. Advertising and sponsorship commitments total $2.2 million for the next twelve months with a total of $3.0 million over the next five years. The Company's capital expenditures for the first six months of fiscal 2009 were $0.3 million with projected capital expenditures for the rest of fiscal 2009 to be approximately $1.7 million, primarily consisting of lab and office equipment. Some of the capital expenditures forecasted to the end of fiscal 2009 may be delayed depending on the ability of the Company to hire needed personnel in its Research and Development department.

Aggregate contractual obligations and off-balance sheet financing

The Company has entered into operating and capital lease and purchasing agreements in the normal course of business. In addition, the Company has entered into various agreements to provide financial assistance in research and development activities and clinical studies as well as for the purchase of raw material used in the manufacture of product for sale. On January 20, 2009, the Company entered into an agreement with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games. The agreement provides the Company exclusive sponsorship rights in Canada in the "Over the Counter Cold and Flu Remedy" product category. The Company will expense fees for these sponsorship rights as incurred.

CLASS-ACTION LAWSUIT

In July 2007, two concurrent and coordinated class action lawsuits were commenced against, among others, the Company and certain of its officers and directors, in Alberta and Ontario. The lawsuits were commenced by representative plaintiffs for a proposed group of shareholders and seek class certification on behalf of any persons who acquired the Company's securities between December 11, 2006 and March 23, 2007. The lawsuits relate to allegations concerning the Company's audited financial statements for the fiscal year ended September 30, 2006, and its interim unaudited financial statements for the first quarter of 2007. The lawsuits allege principally that the financial statements for those periods were false and misleading and claim damages of $110 million.

The matters raised in the lawsuits are, at this stage, unproven allegations that will be vigorously defended. At present, the Ontario and Alberta Courts have not granted leave for the lawsuits to proceed as secondary market securities class actions and the lawsuits have not been certified as class actions. The Plaintiffs have served their certification/leave motion materials and motions are anticipated to be heard in the latter half of the 2009 calendar year. The Company has not recorded any liability related to the class action lawsuits.

RELATED PARTY TRANSACTIONS

No related party transactions with new related parties have been entered into during the Company's first six months of fiscal 2009. Further discussion regarding related party transactions can be found in the Company's September 30, 2008 Management's Discussion and Analysis.

OUTSTANDING SHARES AND STOCK OPTIONS

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There were no preferred shares outstanding at May 12, 2009. As at May 12, 2009, 105,303,268 common shares and 5,048,000 share options were outstanding. On March 25, 2009, 1,285,000 options were granted to Company's employees. The pool of options available for grants at May 12, 2009 was 7,647,450.

NORMAL COURSE ISSUE BID ("NCIB")

On October 14, 2008, the Company announced the implementation of its NCIB to purchase up to 5,386,175 of the Company's common shares, representing 5% of its then issued and outstanding common shares. The NCIB commenced on October 16, 2008 and will terminate on October 15, 2009. The Company has purchased 2,420,230 common shares, all in the second quarter of 2009, at an average cost of $0.39 per share (inclusive of brokerage fees) for a total expenditure of $0.9 million. No additional purchases of common shares have occurred under the NCIB since March 31, 2009; however, additional purchases are expected to occur following the release of the Company's second quarter 2009 results.

RISKS AND UNCERTAINTIES

The Company's results are affected by: financial risks (including liquidity, interest rate, foreign exchange, credit and litigation risks); operational risks (market and product, seasonality of demand, product development, material supply and reliance on third party risks); and health and safety risks.

The Company takes a proactive approach in the identification and management of risks, including review of such risks through compliance reviews and oversight by the Company's audit committee. Mitigation of these risks include, but are not limited to, credit policies, operational policies, maintaining adequate insurance, as well as policies and enforcement procedures that can affect the Company's reputation.

As discussed in the 2008 year end Management Discussion and Analysis, management continues to believe that the Company remains in its growth stage with its lead product COLD-FX®; however, given the current economic slowdown, customer demand is at risk. The Company is dependent on a few retail customers for the majority of its revenue. Declining demand from any one of these retail customers will have a negative impact on the Company's revenues and cash flows. To mitigate this risk, and to ensure the Company continues to increase its market share, the Company will pursue its marketing, advertising and public awareness programs to increase end-consumer demand.

With the current economic downturn, the Company is faced with the risks of declining consumer demand, increased counterparty risk, and tightening of credit availability. All of these risks impact the Company's liquidity. The demand for the Company's lead products remains strong and the Company plans are for ongoing marketing and advertising expenditures to mitigate the risk of declining demand. Counterparty risk is mitigated by the Company's customer mix, which is comprised of large retailers, and by the Company's credit risk management processes. Management believes that the Company's current cash position is adequate to mitigate potential tightening of credit terms, while meeting its near term obligations and also believes that its current credit line limits are sufficient to meet the cash flow requirements of its seasonal operations.

Further discussion regarding other risks and mitigation thereof can be found in the Company's September 30, 2008 Management's Discussion and Analysis.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Based on the Company's September 30, 2008 year end evaluation, management has concluded that disclosure controls and procedures were effective subject to the weaknesses described in the Company's 2008 year end Management's Discussion and Analysis. Management has evaluated whether there were changes in the Company's internal controls over disclosure and financial reporting during the most recent interim period ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect the Company's DC&P and ICFR. No material changes were identified.

Also as disclosed in the Company's September 30, 2008 year end Management's Discussion and Analysis, management has identified a number of ways in which its estimation processes and supporting tools can be improved and continue to work towards implementing such enhancements. During this interim period, management has implemented manual review processes to mitigate risk of error. In addition, management is currently evaluating software applications to complement the Company's existing Enterprise Resource Planning system, which can enhance the Company's ability to compute and review certain management estimates related to revenue.

Material misstatements due to error or fraud may not always be prevented or detected on a timely basis because of the inherent limitation of DC&P and ICFR, including the possibility of collusion or improper management override of controls. Inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Management will continue to monitor and improve internal controls as necessary and appropriate for the business. Further discussion regarding DC&P and ICFR can be found in the Company's September 30, 2008 year end Management's Discussion and Analysis.

ACCOUNTING POLICIES AND ESTIMATES

New accounting standards adopted

The Company adopted the Canadian Institute of Chartered Accountants Handbook Section 3031, Inventories, for valuation, presentation and disclosure of inventory and the Section 3064, Goodwill and Intangible Assets, effective October 1, 2008. The adoption of Section 3031 resulted in an increase to opening inventory of $1.5 million, an increase in future income tax liabilities of $0.5 million and a decrease in the deficit of $1.0 million at the date of adoption. The adoption of Section 3064 did not have any impact on the Company's financial position or results of operations. Additional information on the effects of the implementation of the new standards can be found in Note 2 to the interim consolidated financial statements.

Recent accounting pronouncements

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in its fiscal year ended September 30, 2012, the Company is assessing the potential impacts of this changeover and developing a conversion plan which will include: a detailed timeline; further training and education requirements; and the impact on accounting policies, information systems, internal controls over financial reporting, and business activities. The Company is commencing a high-level assessment of the significant differences between Canadian GAAP and IFRS specific to the Company and will be undertaking training for senior accounting staff.

Critical accounting policies and estimates

Critical accounting policies and estimates are those policies, assumptions and estimates most important in the preparation of the Company's consolidated financial statements. Selection of policies requires management's subjective and complex judgment from many alternatives and estimates involving matters that are inherently uncertain. Those policies, assumptions and estimates affect the reported amounts, assets and liabilities, and revenue and expenses during the period represented and at the date of the financial statements. Actual results could differ from these estimates.

Significant estimates made by management include provisions for customer discounts and incentives, allowances for uncollectible accounts, rights of return, the realizable portion of inventory during the Company's normal business cycle, inventory provisions, the realizing 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. Further discussion regarding critical accounting policies and estimates can be found in the Company's September 30, 2008 Management's Discussion and Analysis.

OUTLOOK

Rapid revenue growth for the Company in the past has brought logistical challenges resulting in inventory shortages and delay in deliveries. The Company continues to mature in this area and has enhanced its ability to deliver product by a combination of manufacturing scheduling processes and strategically building inventories of raw and semi-finished product to shorten delivery time in high demand periods. The expectation is to see continued growth of shipments in the fourth quarter in preparation for the upcoming cold and flu season, and a permanent change in the pattern of revenues throughout the fiscal year. The logistical improvement in the manufacturing end of the business will also be beneficial as the Company introduces new products currently under development.

Although the Company has seen an increase in end consumer purchases of COLD-FX®, in the view of economic uncertainty, the Company's retail customers have used these higher sales to reduce inventory positions in the second quarter of fiscal 2009 year. The Company has initiated a number of programs to encourage retailers to increase shelf stock earlier and throughout the year, given the incidences of cold and flu persist throughout the spring and summer months.

On January 20, 2009, the Company announced jointly with the Vancouver 2010 Olympic and Paralympic Winter Games ("VANOC") that it has been chosen as the official cold and flu remedy of the 2010 Olympic and Paralympic winter games. The official supplier designation will become the focus of much of the Company's marketing efforts for the next few years as the four-year Official Supplier partnership with VANOC also provides sponsorship rights for COLD-FX® to serve as the Official Supplier for the Canadian Olympic Teams competing at both the 2010 Winter Games and the London 2012 Olympic Games.

The Company's strategic plan includes a continued focus on the Canadian marketplace. Several alternatives for growth outside this core business area could be pursued, including botanical drug registration for COLD-FX® in the United States and the potential for strategic partnerships or an international license agreement of the Company's products. In the view of worldwide economic uncertainty, the Company is not actively pursuing these options now; however, should the right opportunity present itself, and resources permit, business expansion in this area may occur. The Company's principal focus will remain on the development of the Company's scientific capabilities and capitalization on the opportunities the Company has identified in Canada for the introduction of new products and the broadening of the Company's consumer base.

Through the selection committee of independent Directors, established by the Board of Directors, the Company continues the recruitment process for a Chief Executive Officer.

The previously announced United States National Cancer Institute approved multi-centre clinical trial on the safety and efficacy of COLD-FX® for preventing colds and flu and strengthening immune systems in patients with chronic lymphocytic leukemia continues on schedule with the treatment phase nearing completion. Various clinical trials are ongoing or continue to be planned for launch in the immune health, neurological or metabolic syndrome core areas to support the Company's five-year product pipeline. The Company plans to launch at least one new product this year. Additional positive results generated by independent collaborators at McGill University, McMaster University, and the University of Alberta, demonstrating the potential application of the core ingredient of COLD-FX®, CVT-E002, in allergies, asthma, and cancer, have also recently been reported at the Natural Health Product Research Society and the American Academy of Allergy, Asthma and Immunology annual scientific meetings. The Company is actively collaborating with experts in the metabolic syndrome area to conduct pre-clinical and clinical studies and has recently been provided funding from the National Research Council's Industrial Research Assistance Program to partially offset the future cost of developing products in this area of study.