

**Ranaz Corporation**  
**Interim Consolidated Financial**  
**Statements**  
**for the Quarters ended**  
**March 31, 2010 and 2009**

Financial Statements

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**Ranaz Corporation**  
**Consolidated Earnings and Comprehensive loss**  
**Consolidated Deficit**  
**(unaudited)**

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**CONSOLIDATED EARNINGS AND COMPREHENSIVE LOSS**

	Three months ended March 31,	
	2010	2009
	\$	\$
<b>Sales</b>	4,192,949	4,307,385
Cost of sales	<u>2,993,781</u>	<u>3,201,126</u>
<b>Gross profit</b>	<u>1,199,168</u>	<u>1,106,259</u>
Research expenses	82,524	128,672
Selling expenses	612,609	443,460
Administrative expenses	651,333	776,472
Product recall compensation		(320,000)
Stock-based compensation expense	36,363	72,155
Interest expense	78,234	72,200
Amortization of property, plant and equipment and intangibles assets	114,586	92,701
Change in fair value of derivative financial instruments		15,685
Exchange loss	<u>67,629</u>	<u>15,160</u>
	1,643,278	1,296,505
<b>Net loss and comprehensive loss</b>	<u>(444,110)</u>	<u>(190,246)</u>
Basic and diluted loss per common share	<u>(0.007)</u>	<u>(0.004)</u>
Basic and diluted weighted average number of common shares outstanding	<u>60,080,314</u>	<u>43,900,155</u>
<b>CONSOLIDATED DEFICIT</b>		
Deficit, beginning of year	(10,263,140)	(9,490,599)
Net loss	(444,110)	(190,246)
Deficit, end of year	<u>(10,707,250)</u>	<u>(9,680,845)</u>

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The accompanying notes are an integral part of the unaudited interim consolidated financial statements and Note 4 provides other information on the unaudited interim consolidated earnings.

**Ranaz Corporation**  
**Consolidated Cash Flows**  
**(unaudited)**

	Three months ended March 31,	
	2010	2009
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(444,110)	(190,246)
Non-cash items		
Stock-based compensation expense	36,363	72,155
Amortization of property, plant and equipment and intangibles assets	114,586	93,619
Change in fair value of derivative financial instruments		15,685
Interest on debenture and terms loans	20,354	
Changes in working capital items (Note 5)	486,434	(1,107,775)
Cash flow from in operating expenses	<u>213,627</u>	<u>(1,116,562)</u>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment	(4,665)	(436,778)
Balance of sale	13,939	8,590
Cash flow from investing activities	<u>9,274</u>	<u>(428,188)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(103,348)	(38,900)
Issuance of equity instruments		664,235
Equity instrument issue costs	(1,876)	(49,638)
Cash flow from financing activities	<u>(105,224)</u>	<u>575,697</u>
Impact of foreign exchange on cash		30,463
<b>Net increase (decrease) in cash</b>	<u>117,677</u>	<u>(938,590)</u>
Cash, beginning of period	84,344	842,991
Cash (bank overdraft), end of period	<u>202,021</u>	<u>(95,599)</u>

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

# Ranaz Corporation

## Consolidated Balance Sheets

	Unaudited 2010-03-31	Audited 2009-12-31
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	202,021	84,344
Accounts receivable	1,812,983	2,218,056
Inventories	3,740,521	3,843,640
Prepaid expenses	195,537	63,864
	<u>5,951,062</u>	<u>6,209,904</u>
Balance of sale, receivable in monthly instalments of €1,875 (\$2,813) until May 2018 (effective rate of 7.75%)	156,541	170,480
Property, plant and equipment	2,555,468	2,648,847
Goodwill	999,336	999,336
Intangible assets	636,984	653,526
	<u>10,299,391</u>	<u>10,682,093</u>
<b>LIABILITIES</b>		
Current liabilities		
Bank loan	243,792	252,240
Accounts payable and accrued liabilities	1,831,956	1,704,283
Instalments on long-term debt	863,819	805,119
	<u>2,939,567</u>	<u>2,761,642</u>
Long-term debt	1,519,712	1,670,716
Future income taxes	13,721	13,721
	<u>4,473,000</u>	<u>4,446,079</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7)	13,142,419	13,144,295
Warrants (Note 8)	647,447	860,033
Equity component of convertible debenture	146,710	146,710
Contributed surplus (Note 9)	2,597,065	2,348,116
Deficit	<u>(10,707,250)</u>	<u>(10,263,140)</u>
	<u>5,826,391</u>	<u>6,236,014</u>
	<u>10,299,391</u>	<u>10,682,093</u>

The accompanying notes are an integral part of the unaudited interim consolidated financial statements.

On behalf of the Board of Directors,

(s) Jean Bourassa Marineau  
Director

(s) Alain Lachambre  
Director

# Ranaz Corporation

## Notes to the Consolidated Financial Statements

(Figures to March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 are unaudited.)

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### **1 - GOVERNING STATUTES AND NATURE OF OPERATIONS**

The Company was incorporated under the Canada Business Corporations Act and is involved primarily in the manufacturing and distribution of specialized, diet and energy products.

### **2 - BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the accounting policies used in the preparation of the audited annual consolidated financial statements. These interim financial statements do not include all the disclosures required by GAAP and applicable to the annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009.

The interim consolidated financial statements for the three months ended March 31, 2010 and 2009 have not been subject to a review by the Company's external auditors.

### **3 – IMPACT OF NEW ACCOUNTING STANDARDS NOT YET APPLIED**

Certain new primary sources of generally accepted accounting principles have been published but are not yet in effect. The Company has not early adopted any of these standards. The new standards which could potentially impact the Company's financial statements are detailed as follows:

#### **Business combinations**

Section 1582, "Business combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS Standard, IFRS 3, *Business Combinations*. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company is evaluating the impact of the adoption of this new Section on the consolidated financial statements.

#### **Consolidated financial statements and non-controlling interest**

Section 1601, "Consolidated financial statements" and Section 1602, "Non controlling interests," which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statement subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27, *Consolidated and Separate Financial Statements*. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

## Ranaz Corporation

### Notes to the Consolidated Financial Statements

(Figures to March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 are unaudited.)

#### 4 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	Three months ended March 31,	
	2010	2009
	\$	\$
Amortization of property, plant and equipment	98,044	84,112
Amortization of trademark	472	472
Amortization of client listings	8,117	8,117
Amortization of development costs	7,953	
Gross amount of research expenses	107,490	168,672
Investment tax credits applied against research expenses	24,966	40,000
Interest expense		
Interest on bank loan	2,752	4,829
Interest on convertible debenture	64,148	60,795
Interest on long-term debt	11,334	6,576
	<u>75,482</u>	<u>67,371</u>

Product recall compensation, consisting of refund from the subcontractor related to the recall.

#### 5 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

Changes in working capital items were as follows:

	Three months ended March 31,	
	2010	2009
	\$	\$
Accounts receivable	362,848	(226,046)
Inventories	103,119	(830,429)
Prepaid expenses	(131,673)	(73,784)
Accounts payable and accrued liabilities	152,140	22,484
	<u>486,434</u>	<u>(1,107,775)</u>

The breakdown of cash flows from interest on operating earnings are detailed as follows:

	Three months ended March 31,	
	2010	2009
	\$	\$
Interest paid	57,880	11,405

# Ranaz Corporation

## Notes to the Consolidated Financial Statements

(Figures to March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 are unaudited.)

### 6 - STOCK-BASED COMPENSATION

Effective December 29, 2006, the Board of Directors adopted a new stock option plan. Under this plan, the Company may grant eligible directors, officers, employees and consultants of the Company and its subsidiaries up to 2,952,381 stock options. The options granted expire five years after the grant date. Options granted to directors vest in thirds (33.3%) starting on the first anniversary following the grant and the other options vest in quarters (25%) starting on the first anniversary. Options are granted at an exercise price that cannot be less than the closing price of the common shares on the day preceding the grant date, to which a discount may however be applied in accordance with TSX Venture Exchange rules.

The plan includes the following restrictions relating to the number of options:

- The number of common shares reserved for issuance to directors, officers and employees under the plan may not exceed 5% of the outstanding common shares in any given 12-month period;
- The maximum number of options that can be granted to consultants must not exceed 2% of the outstanding common shares in any given 12-month period;
- The maximum number of options that can be granted to people in a business relationship with investors may not exceed 2% of outstanding common shares during a 12-month period and must gradually vest over this 12-month period, on the basis of no more than a quarter of the prescribed shares in a given quarter.

Changes in the number of options outstanding are as follows:

#### Three months ended March 31, 2010

	Number	Weighted average exercise price
Balance, beginning of period	1,409,942	\$0.64
Options granted	-	-
Options expired	-	-
Balance, end of period	1,409,942	\$0.64
Options exercisable, end of period	931,192	\$0.61

# Ranaz Corporation

## Notes to the Consolidated Financial Statements

(Figures to March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 are unaudited.)

### 6 - STOCK-BASED COMPENSATION (Continued)

Stock options granted as of March 31, 2010, were as follows:

Exercise price	Number	Options outstanding		Options exercisable	
		Weighted average remaining term	Weighted average exercise price	Number	Weighted average exercise price
\$0.24	350,000	3.75 years	\$0.24	175,000	\$0.24
\$0.35	304,942	1.75 years	\$0.35	296,192	\$0.35
\$0.60	30,000	1.75 years	\$0.60	30,000	\$0.60
\$0.70	200,000	1.75 years	\$0.70	192,500	\$0.70
\$0.72	200,000	3.42 years	\$0.72	50,000	\$0.72
\$1.16	100,000	1.83 years	\$1.16	75,000	\$1.16
\$1.30	175,000	2.75 years	\$1.30	87,500	\$1.30
\$1.35	20,000	2.75 years	\$1.35	10,000	\$1.35
\$1.40	30,000	2.92 years	\$1.40	15,000	\$1.40
Ousting at the end of the period	<u>1,409,942</u>	<u>2.65 years</u>	<u>\$0.64</u>	<u>931,192</u>	<u>\$0.61</u>

### 7 - CAPITAL STOCK

#### Authorized

Unlimited number of shares without par value  
Common shares, voting and participating

Class "A" preferred shares, non-voting, convertible into common shares to the extent that at least 20% of outstanding common shares, once converted, must be held by "public shareholders" as defined in the policies of the TSX Venture Exchange and, at the time of an offer to purchase, redeem or exchange relating to more than 50% of the outstanding common shares

	Unaudited 2010-03-31	Audited 2009-12-31
<b>Issued and fully paid</b>	\$	\$
60,080,314 common shares (60,080,314 in 2009)	<u>13,142,419</u>	<u>13,144,295</u>

# Ranaz Corporation

## Notes to the Consolidated Financial Statements

(Figures to March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 are unaudited.)

### 7 - CAPITAL STOCK (Continued)

#### Loss per share

As a result of the net loss in the periods presented, potentially dilutive factors such as the warrants, stock options and convertible debenture have not been included in the calculation of the diluted loss per common share, since inclusion of such securities would be anti-dilutive.

### 8 - WARRANTS

	Unaudited 2010-03-31	Audited 2009-12-31
	\$	\$
13,634,614 warrants (14,003,951 in 2009)	647,447	772,763
300,000 broker warrants in 2009 (nil in 2010)		87,270
	<u>647,447</u>	<u>860,033</u>

During the three months period, 369,337 warrants with a carrying amount of \$125,316 and 300,000 broker warrants with a carrying amount of \$87,270 expired.

As at March 31, 2010, the number of outstanding warrants exercisable for common shares was as follows:

Expiry	Exercise price	Number issued	Number exercisable as at March 31, 2010
September 17, 2010	\$0.75	1,500,000	1,500,000
August 28, 2014	\$0.10	10,384,614	10,384,614
October 2, 2014	\$0.10	1,750,000	1,750,000
			<u>13,634,614</u>

### 9 - CONTRIBUTED SURPLUS

The table below shows changes in contributed surplus for the periods shown:

	Three months ended March 31,	
	2010	2009
	\$	\$
Balance, beginning of period	2,348,116	1,276,855
Stock-based compensation expense	36,363	72,155
Warrants expired	212,586	78,020
Balance, end of period	<u>2,597,065</u>	<u>1,427,030</u>

## Ranaz Corporation

### Notes to the Consolidated Financial Statements

(Figures to March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 are unaudited.)

#### 10 - SEGMENTED INFORMATION

The Company has reviewed its activities and determined that it operates in a single reportable operating segment. The following information provides the required Company-wide disclosures:

	Three months ended March 31,	
	2010	2009
	\$	\$
Revenue by geographic location based on customer location		
Canada	2,146,222	1,697,136
United States	1,757,848	2,308,878
International	288,879	301,371
	<u>4,192,949</u>	<u>4,307,385</u>
	Unaudited	Audited
	<u>2010-03-31</u>	<u>2009-12-31</u>
	\$	\$
Property, plant and equipment by geographic location		
Canada	<u>2,555,468</u>	<u>2,648,847</u>
Goodwill by geographic location		
Canada	61,919	61,919
United States	<u>937,417</u>	<u>937,417</u>
	<u>999,336</u>	<u>999,336</u>

#### 11 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.