



MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis ("MD&A") dated November 22, 2010, discusses the financial position and operating results of Ranaz Corporation ("Ranaz" or the "Company") for the quarters ended September 30, 2010 and 2009. This MD&A should be read in conjunction with the Company's selected consolidated financial information and its unaudited interim consolidated financial statements, and audited consolidated financial statements to December 31, 2009 and the notes thereto. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in this MD&A are in Canadian dollars unless otherwise indicated. Additional information regarding the Company is available on the SEDAR website at www.sedar.com.

Unless otherwise indicated or implied by the text, "Ranaz", the "Company", "we" and "our" refer to Ranaz Corporation and its subsidiaries. The disclosure in this report is limited to information that management considers "material", meaning that any omission of or inaccuracy in such information could hamper the investor's ability to make a reasonable decision regarding whether to buy, sell or hold Company securities.

Forward-Looking Statements

This MD&A includes certain "forward-looking statements", including but not limited to statements regarding strategic plans, future sales and financial results, particularly anticipated capital expenditures, measures to mitigate operating and financial risks, and, more generally, the Company's continued access to capital markets and overall outlook. These forward-looking statements express management's plans, estimates, forecasts, projections, expectations and opinions regarding future events or results as of the date of this MD&A. Forward-looking statements are subject to certain risks and uncertainties, many of which are beyond our control, and there is no guarantee that these statements will be accurate. Accordingly, actual results or future events may differ materially from those anticipated by such forward-looking statements. The risks and uncertainties that may cause the actual results or future events to differ materially from the current expectations expressed or implied by such forward-looking statements include, but are not limited to, the risks described in the "Risks" section of the annual MD&A found on www.sedar.com. Readers should not rely unduly on such forward-looking statements.

Management's Responsibility for Financial Reporting

The unaudited interim consolidated financial statements of Ranaz and the financial information presented in this MD&A are the responsibility of management and have been approved by the Company's Board of Directors. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). They include amounts based on management's best judgment and estimates. In order to ensure the accuracy and objectivity of the information in the financial statements, management has designed and implemented and maintains internal control systems. Management is of the opinion that these internal controls provide reasonable assurance, at a reasonable cost, regarding the reliability of accounting records necessary for the preparation of financial statements, and that the Company's assets are properly recognized and safeguarded. The Board of Directors approved the consolidated financial statements and this MD&A on November 22, 2010.

The unaudited interim consolidated financial statements for the quarters ended September 30, 2010 and 2009 have not been reviewed by the Company's auditors.

Overview of Operations

Ranaz specializes in the manufacturing and sale of protein and dietary supplements. Its activities include the design, development, production and sale of nutritional, protein and dietary supplements. All Ranaz products have common features, including: (i) a flavour, taste and format tailored to market needs; (ii) quick and easy preparation; (iii) scientific formulation; and (iv) rigorous manufacturing standards. Products are sold under private labels as well as under the Company's own corporate brands. To date, the Company has based its products on two main business concepts: Protidiet and ProtiLife.

The Protidiet line is intended for physicians treating obesity, and comes in ready-to-eat formats consisting of bars, powders, soups, cookies, concentrates, muffins and other high-protein meals and snacks.

The Company mainly sells its Protidiet products through Pro-Amino International Inc. ("Pro-Amino"), a wholly-owned subsidiary that holds the various trademarks and is responsible for making all of the Company's products. Pro-Amino is responsible for distributing the Company's Protidiet products worldwide, with the exception of France, Belgium and Spain.

ProtiLife is marketing of a weight loss and weight maintenance program in Canada is based on expertise acquired in manufacturing high-protein diet products over the past two decades. This weight-loss program includes a line of products specially designed to enable quick weight loss while incorporating a healthy weight maintenance program once a healthy weight is reached. This brand has become one of the most popular product lines in drugstore chains in Quebec and it is still growing.

ProtiLife products are distributed by another wholly-owned subsidiary, Distribution ProtiLife Inc.

Principle Markets

Protidiet

The principle markets for the Protidiet concept are weight-loss clinics in North America and pharmacies and parapharmacies in Europe.

ProtiLife

Since the introduction of the brand ProtiLife in the retail market, the Company has gain a significant market share in Quebec. Our success is coming from the introduction in the pharmacies and we are continually gaining market share in major retail distributors. By the end of 2010, we will introduce new products.

Private Labels

The United States and Canada are the primary target market.

Distribution Methods

Protidiet

In Canada and the United States, Protidiet products are sold directly by the Company in clinics with medical supervision through commercial weight-loss chains, as well as in boutiques that specialize in obesity treatment. In Europe, the products are sold over the counter in pharmacies and parapharmacies.

ProtiLife

In Canada, the ProtiLife product line is sold by pharmacies and major retail distributors, over the counter, without prescription.

Private Labels

Pro-Amino manufactures its nutritional products for customers that subsequently distribute them under their own labels.

Development Stages

Protidiet

Ranaz plans to continue developing its customer base in North America by introducing new products and continually improving its level of service.

ProtiLife

Since the implementation and the major investment in the bar line in Montreal, we improve the quality and flavour of our product offer to our customer and these improvement will give us the support for growing the sales and the loyalty of our client. We also have a better control on our production costs that will generate good margin.

Private Labels

The management has reviewed his focus in product offering and his customer list. This new strategy has been concentrate on more value in the offer with quality taste and variability of the products. The new vision will focus on best price / quality and will left away the low price offer. In fact, since the change of our vision, we have sign few major customers in USA. We strongly believe this new strategy will show a positive impact in our sales for 2011.

Competition

Protidiet

Few companies in North America specialize in the manufacturing of high-protein and weight-loss nutritional products. Most of the companies in the nutritional food industry have their products manufactured under subcontract by manufacturing companies like Ranaz. By making its own products, Ranaz has the advantage of lower production costs than its competitors, and better control over the contents of the products it sells.

The Company sets itself apart from the competition by adapting its strategies to the various market segments, such as pharmacies or the medical industry. It should be noted that competition is greater at the design level.

Unlike North America, high-protein diets are well-known in France, Belgium and Spain. Just as meal substitutes are well known in North America, high-protein diet products are readily available in superstores, pharmacies and specialized clinic boutiques in Europe.

ProtiLife

There is currently no direct competitor to ProtiLife. A nutritional supplement rather than a meal substitute, ProtiLife is in fact the first such product available in major retail distributors in North America. It is therefore important that Ranaz differentiate its products clearly from those of its competitors.

Private Labels

In North America, few businesses specialize in the manufacturing of small batches of nutritional bars. This small batch production method leads to greater flexibility, reduced customer risk when launching new products and therefore a larger pool of potential customers for the Company. Many companies subcontract the manufacturing of their products, which creates a large market for us.

Key Performance Indicators

Key performance indicators are as follows:

1. Sales
2. Adjusted Operating earnings

Non-GAAP Measures

Management believes that an adjusted operating earnings is an important measure in evaluating the Company's performance. However, adjusted operating earnings and adjusted operating earnings per share is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, adjusted operating earnings may not be comparable to similar measures presented by other issuers. Investors are cautioned that adjusted operating earnings and adjusted earnings per share should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Company's performance, or to cash flows from operating, investing and financing activities, or as a measure of the Company's liquidity and cash flows.

The Company defines the operating expenses as the research, selling and administrative expenses as presented in the financial statements.

Highlights for the Period

- Increase of the net earnings of \$883,325 as compared to the third quarter of 2009 and \$671,796 as compared to the nine-month period ended September 30, 2009
- Increase of the adjusted operating earnings of \$738,680 as compared to the third quarter of 2009 and \$1,190,104 as compared to the nine-month period ended September 30, 2009

The increase of the adjusted operating earnings in 2010 as compared to 2009 is coming from an effort on the reduction of our production costs and better controls on our operating expenses.

Selected Consolidated Financial Information

<i>(dollars)</i>	Quarters ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Sales	4,184,227	4,638,313	13,524,990	14,635,122
Gross profit	1,257,589	1,035,093	4,266,519	3,860,267
Operating expenses	947,059	1,463,243	3,531,385	4,315,237
Adjusted operating earnings (loss)	310,530	(428,150)	735,134	(454,970)
Net earnings (loss)	183,505	(699,820)	149,838	(521,958)
Basic and diluted earnings (loss) per share	0.003	(0.014)	0.002	(0.011)
Basic and diluted adjusted operating earnings (loss) per share	0.005	(0.008)	0.012	(0.010)

Reconciliation of Adjusted Operating Earnings (loss)

The following table reconciles adjusted operating earnings (loss) to the net earnings (loss), based on the Company's financial statements for the periods indicated.

<i>(thousands of dollars)</i>	Quarters ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Net earnings (loss)	184	(700)	150	(522)
Product recall compensation	-	-	-	(320)
Stock-based compensation expense	11	20	32	127
Interest expenses	78	113	233	261
Amortization of property, plant and equipment and intangibles assets	101	127	320	341
Change in fair value of derivative financial instruments	(18)	(4)	(21)	(101)
Exchange loss (gain)	(45)	16	21	2
Future income taxes	-	-	-	(245)
Adjusted Operating earnings (loss)	311	(428)	735	(455)

Comparison of Quarters ended September 30, 2010 and 2009

Sales and Gross Profit

Sales for the third quarter of 2010 totaling \$4,2 million as compared to \$4,6 million in the same quarter of 2009, decrease of \$0,4 million or 9.8%. *Sales* for the first nine months of 2010 totaling \$13,5 million, down of \$1,1 million or 7.6% as compared to the same period of 2009. The sales for Protidiet and ProtiLife are virtually unchanged for the 2010 periods as compared to the 2009 periods presented but the reduction of the US dollar and the Euro contributes to lower the sales in Canadian dollar. The sales for the bar line private label decreased because during the transition period in 2009, the Company took that opportunity to eliminate the low margin products. This elimination has a temporary negative impact on sales but a positive impact in gross margin.

Gross profit totaling \$1,3 million for the three-month period ended September 30, 2010 as compared to \$1,0 million for the same quarter of 2009, and represented 30.1% and 22.3% of sales respectively for these quarters (gross margin). For the nine-month period ended September 30, 2010, *gross profit* was \$4,3 million or 31.5% of sales compared to \$3,9 million or 26.4% of sales for the same period in 2009. Since the beginning of 2010, the Company has a better control on the production costs and the effort to increase the productivity level begins to give dividends. The nominal increase in gross margin percentage for the third quarter of 2010 compared to 2009 and the first nine months of 2010 as compared to the same period of 2009 was also due to change in product and market sales mix.

The Company's main focus for the balance of fiscal 2010 is to continue to streamlining its production costs and operating expenses. As we see in the results, the gross margin for the first nine months of fiscal 2010 represent 31.5% of sales as compared to 26.4% for the same period of 2009. This increase of the margin reflects the efforts in the reduction of costs. The operating expenses for the nine-month periods ended September 30, 2010 totaling \$3,531,385 as compared to \$ 4,315,237 for the same period of 2009, a direct effect of the better control of the expenses.

In the next quarters, the Company will now focus on the strategy to increase the sales. We will concentrate for the balance of fiscal 2010 to have a better penetration of market in our actual customers. We also will accentuate the development of new customers in all of our markets. In November 2010, the Company hired a new Vice-President sales and marketing.

Operating Costs and Other Charges

Research expenses decreased by \$13,338 or 13.3% in the quarter ended September 30, 2010 to stand at \$86,776, down from \$100,114 in the same quarter of 2009. *Research expenses* for the nine-month ended September 30, 2010 down by \$80,500 or 22.0% to \$284,978, compared to \$365,478 for the same period in 2009. This decrease for the third quarter and the first nine-month period of the year was mainly due to the savings generated by the transfer of our activities from BarTech (Michigan) to our installations in St-Eustache in February 2009 and a better control of the expenses.

Selling expenses decreased by 27.0% or \$144,554 to \$390,475 for the quarter ended September 30, 2010. *Selling expenses* for the nine-month ended September 30, 2010 down by \$13,398 or 0.9% to \$1.6 million from \$1.6 million for the same period in 2009. The decrease for the quarter was mainly attributable to a better control of the expenses. The decrease for the nine-month period was mainly due to a better control of the expenses, compensated by cost related to the termination of employees subsequent to the closing of the plant in Michigan.

Administrative expenses decreased by 43.3% or \$358,292 to \$469,808 for the quarter ended September 30, 2010. *Administrative expenses* for the nine-month ended September 30, 2010 down by \$689,954 or 29.0% to \$1.7 million from \$2.4 million for the same period in 2009. The decrease was mainly attributable to the savings related of the transfer of our activities from Michigan to our installations in St-Eustache in February 2009 and a better control of our expenses.

The *Product recall compensation* in 2009 consisted of the refund of \$320,000 from the subcontractor related to the recall. The related expenses were recognized in fiscal 2008.

The *stock-based compensation expense* amounted to \$10,515 in the third quarter of 2010 and 31,545 for the nine-month period ended September 30, 2010 compared to expenses of \$19,790 for the same quarter of 2009 and \$127,321 for the same nine-month period of 2009. The decrease is due to options expired related to the termination of employees in 2010.

The *interest expense* amounted to \$78,022 in the third quarter of 2010 and \$233,474 for the nine-month period ended September 30, 2010 as compared to \$112,637 for the same quarter of 2009 and \$261,341 for the same nine-month period 2009. The expense decreased mainly because reduced of bank borrowings.

Amortization down by \$26,080 to \$101,221 for the quarter ended September 30, 2010, compared to \$127,301 for the three-month ended September 30, 2009. *Amortization* for the nine-month ended September 30, 2010 was \$320,157 compared to \$342,440 for the same period in 2009. The decrease was primarily due to the completion of the amortization of some equipment in 2010.

The *exchange gain* was \$44,578 in the quarter ended September 30, 2010 as compared to a loss \$16,441 for the same quarter of 2009 due to exchange rate fluctuations related to working capital items. For the nine-month period ended September 30, 2010, the *exchange loss* was \$21,015 as compared to a loss of \$2,043 for the same period in 2009 principally due to the decrease of the euro since December 2009.

The *future income taxes* in 2009 were related to the reversal of future income taxes liabilities accounted in the acquisition of BarTech.

The net earnings for the quarter ended September 30, 2010 amounted to \$183,505 or \$0.003 per share, compared to a net loss of \$699,820 or \$0.014 per share for the third quarter of 2009 representing an increase of 126.2%. The *net earnings* for the nine-month period ended September 30, 2010 was \$149,838 or \$0.002 per share compared to a net loss of \$521,958 or \$0.011 per share for the first nine-month period of 2009.

The adjusted operating earnings for the quarter ended September 30, 2010 amounted to \$310,530 or \$0.005 per share, compared to an adjusted operating loss of \$428,150 or \$0.008 per share for the third quarter of 2009 representing a growth of 172.5%. The adjusted operating earnings for the first nine-month period ended September 30, 2010 amounted to \$735,134 or \$0.012 per share, compared to an adjusted operating loss of \$454,970 or \$0.010 per share for the nine-month period ended September 30, 2009 representing a growth of 261.6%.

Consolidated Cash Flows

Operating Activities

Cash flow use for *operating activities* totaling \$400,423 for the third quarter ended September 30, 2010 and inflow of \$518,024 for the first nine months of 2010, compared to a negative flow of \$861,783 in the corresponding three months of 2009 and a use of \$1,670,400 in the corresponding nine-month period in 2009.

Changes in non-cash from working capital items were \$685,937 in the third quarter of 2010 as compared to \$363,607 in the same quarter of 2009. In the three-month period ended September 30, 2010, these changes consisted mainly of decreases of accounts payable and accrued liabilities and inventories partially offset by increases in accounts receivable and prepaid expenses.

For the first nine months of 2010 and 2009, changes in non-cash working capital items decreased cash flow by \$5,353 and \$1,451,212 respectively. For the nine-month ended September 30, 2010, these changes consisted primarily of decreases in accounts liabilities and accrued liabilities, accounts receivable and prepaid expenses partially offset by decreases of inventories.

Investing Activities

Our *investing activities* consisted mainly of the acquisition of property, plant and equipment to manufacture the products sold. Few acquisitions occurred in 2010. The Company wants to solidify its cash flows situation and make only necessary investments for the foreseeable future.

Financing Activities

We prepaid \$159,528 in long-term debt during the third quarter ended September 30, 2010 and \$349,066 for the first nine-month ended September 30, 2010.

In addition, during the third quarter of 2010, the Company complete a long-term financing of 250,000\$ with Investissement Québec. The cash flow from this loan was utilized to repay the US bank loan of 248,616\$

Sources of Financing and Balance Sheet

Consolidated Balance Sheet Data

<i>(dollars)</i>	September 30, 2010	December 31, 2009
Cash	251,984	84,344
Current assets	6,218,347	6,209,904
Working capital	3,760,384	3,448,262
Total assets	10,365,890	10,682,093
Current liabilities	2,457,963	2,761,642
Long-term debt (including current portion)	2,414,303	2,475,835
Total liabilities	3,944,742	4,446,079
Total shareholder's equity	6,421,148	6,236,014

Management believes that the Company's cash assets and the CA\$750,000 available under its bank credit agreement and its anticipated cash flows from operations will be sufficient to meet working capital requirements, contractual obligations and financing activities in the near future.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as liquidity for the next year. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

Since the Company was not in compliance with the financial ratios as at December 31, 2009, the ability to realize its assets and discharge its liabilities depends on the continued support of its shareholders, financial institution and other business partners. As per the continuation of the action plan to reduce the operating costs, the improvement of productivity and the accomplishment in the transition of the integration of the bar line to the St-Eustache installations, the Company is now in compliance with the financial ratios and the bank credit agreements will be available.

Changes in Long-Term Balance Sheet Items

The \$324,646 decrease in long-term assets from December 31, 2009 to September 30, 2010 was mainly due to the amortization in property, plant and equipment and intangible assets.

Shareholders' equity increased by \$185,134 or 3.0% to \$6.4 millions at September 30, 2010. The increase was mainly due to the net earnings of the first nine months of 2010 charged to the deficit.

Capital Stock

	Authorized	Issued as at September 30, 2010	Issued as at November 22, 2010
Common shares	Unlimited	60,208,285	60,208,285
Warrants	-	12,134,614	12,134,614
Common stock options	2,952,381	914,942	914,942

Related parties transactions

The Company has transactions with related parties. These transactions were entered into the normal course of business and measured at the exchange amount, which is the amount established and accepted by the parties.

<i>(dollars)</i>	Quarters ended September 30		Nine-month ended September 30	
	2010	2009	2010	2009
Sales to a company controlled by a director's close relative	84 097	74 114	253 577	214 657
Sales to a company controlled by a director	941 293	1 015 871	3 196 686	2 751 815
Consulting fees by directors	-	7 090	4 725	17 492

Quarterly Review

Operating results for each of the last eight quarter are shown in the table below. The Company considers that the information for these quarters was prepared in the same manner as the audited financial statements for the year ended December 31, 2009.

<i>(thousands of dollars)</i>	Q3-2010	Q2-2010	Q1-2010	Q4-2009
Sales	4,184	5,148	4,193	4,454
Gross profit	1,258	1,810	1,199	1,103
Net earnings (loss)	184	410	(444)	(251)
Basic and diluted earnings (loss) per share	0.003	0.007	(0.007)	(0.007)
Adjusted operating earnings (loss)	311	572	(147)	(125)

<i>(thousands of dollars)</i>	Q3-2009	Q2-2009	Q1-2009	Q4-2008
Sales	4,638	5,689	4,307	4,891
Gross profit	1,035	1,719	1,106	1,183
Net earnings (loss)	(700)	368	(190)	(1,309)
Basic and diluted earnings (loss) per share	(0.014)	0.008	(0.004)	(0.034)
Adjusted operating earnings (loss)	(428)	215	(242)	(504)

Dividends

The Company currently intends to reinvest future earnings to finance growth. Consequently, it does not intend to pay dividends in the foreseeable future. Any decision to pay cash dividends is left to the judgment of the Board of Directors and will depend of the financial position, results of operations, capital requirements and such other factors as the Board of Directors shall deem relevant.

Changes in Accounting Policy

Impact of new accounting standards not yet applied

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that all Canadian public corporations would be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The Company will start preparing its financial statements in accordance with IFRS as of the years beginning on January 1, 2011. The Company is currently determining the impact of adopting IFRS on its consolidated financial statements.

During 2009, the Company preceded with the assistance external consultant to establish a stage 1 diagnosis for the adoption of IFRS. This diagnosis has identified the main differences between the accounting treatments applied by the Company under Canadian GAAP and the IFRS as well as the practical implications related to the measure. The differences were further classified according to their degree of complexity and by the amount of work to implement with the respect to the measure.

The Company has identified some accounting areas that it has deemed of either high or moderate significance. Significance has been established as the potential impact divergences may have on the Company's financial statement. The determination of the significance of the areas has been assessed based on a preliminary review of CICA publications detailing divergences between Canadian GAAP and IFRS and though an analysis done by the Company. Differences are expected to be in the following key accounting areas:

Key accounting area	Differences with potential impact for the Company
Presentation of financial statement	-Additional disclosures in the notes to financial statements.
Share-based payment	-Liability related to share-based payments made to employees that call for settlement in cash or other assets recognized at fair value at initial grant date and re-measured at fair value at end of each subsequent reporting. Each instalment accounted for as a separate arrangement.
Equipment	-Differences in capitalization costs.
Impairment of assets	-Grouping of assets in cash generating units (CGUs) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow method (DCF) in a single-step approach. -Goodwill allocated to and tested in conjunction with its related CGU or group of CGUs that benefit from collective synergies.

An implementation plan for the conversion to IFRS has been prepared. The activities planned in stage 2: Evaluation and Design include the identification and documentation of existing differences between IFRS and Canadian GAAP in accounting and disclosure requirements, the selection of accounting policies under IFRS, including the consideration of options available under IFRS, the establishment of the effects related to the conversion on internal controls, accounting systems and other solutions and business processes, and developing a training program to help employees concerned for the transition and the continued compliance with IRFS. Finally, the stage 3, the last stage, is the implementation and the review.

We intend to complete the stage 2 in 2010 of our conversion to IFRS. The Company will evaluate and document the existing differences between IFRS and Canadian GAAP in accounting and disclosure requirements, the selection of accounting policies under IFRS, including the consideration of options available under IFRS, the integration of the effects related to the conversion on internal controls, accounting systems and other solutions and business processes, and the establishment of training program to help employees concerned for the transition and the continued compliance with IFRS.

While working on stage 2, under IFRS 1 – First-time adoption of IFRS, we intend to choose the prospective application where choices were available for our situation.

During 2010, we will finalize the stage 2 and work on stage 3 for the implementation and review with the assistance of external consultant. Since stage 2 is not completed as of September 30, 2010, other accounting impact can be found during the course of 2010 apart from those mentioned above.

The Company has decided to switch to IFRS on January 1, 2011.

Business combination

Section 1582, *Business combination*, 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 October 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 statement relating to fiscal years beginning in 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.

Risks

Inability to Implement the Company’s Business Strategy

The growth and expansion of the business are heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Labour Relations

While labour relations with the Company employees have been stable to date, the maintenance of a productive and efficient labour environment cannot be assured.

Sourcing of Suitable Distributors

Revenue and earnings stability and growth are directly dependent on the effectiveness of advertising, marketing and promotional programs, as well as effective distribution. The Company currently sells its products through specialized obesity treatment centers in North America, pharmacies and parapharmacies in Europe and pharmacies and major retail distributors in

Canada. Its financial success is dependent on its ability to continue to secure effective channels of distribution on favourable terms with suitable distributors.

Product Liability

The sale and use of the products developed solely by the Company or under collaborative arrangements carry the risk of legal proceedings based on product liability. The Company maintains liability insurance coverage in the aggregate amount of \$15 million for issues of safety as well as for errors and omissions. While it believes such insurance coverage to be adequate, there can be no assurance that future claims based on product liability will not exceed such amount. The Company's obligation to pay indemnities or to withdraw a product following complaints could seriously affect its financial position as well as its future.

Dependence on New Products

Success will depend in part upon the Company's ability to offer new products that meet evolving customer requirements. There can be no assurance that the Company will be able to develop and bring to market new products in a timely manner or that there will be widespread customer acceptance or demand for products such as those it offers.

Adverse Publicity

Adverse publicity associated with the Company's products or those of similar companies or concerning any actual or purported failure by the Company to comply with applicable laws and regulations could harm its financial position and operating results. The results of the Company's operations may be significantly affected by the public's perception of the Company and similar companies. This perception is dependent upon opinions concerning: (i) the safety and quality of the Company's products or of similar products distributed by other companies; and (ii) the Company's distributors, manufacturers and customers.

Adverse publicity, whether accurate or not or resulting from customers' use or misuse of products, that associates consumption of products or any similar products with illness or other adverse effects, questions the benefits of the Company's or similar products or claims that any such products are ineffective, inappropriately labelled or have inaccurate instructions as to their use, could negatively impact the Company's reputation or the market demand for its products.

Competitive Market for the Company's Products and Services

The health and nutrition industries are highly competitive. Overall, most of the Company's competitors in the health and nutrition industries are larger than it and might have greater financial and other resources, which could enable them to invest significant amounts of capital and other resources in their businesses, including expenditures for research and development. If one of the Company's current or future competitors develops innovative proprietary products, some of the Company's products could be rendered obsolete.

Protection of Intellectual Property

The success of the Company's products depends to a significant extent upon its intellectual property and the goodwill associated with its business. The Company's intellectual property is subject to the following risks: (i) while some of its intellectual property is protected by registered trademarks in certain jurisdictions in North America and Europe and in certain other countries in which it operates, the Company may not be successful in asserting these rights; (ii) the Company's proprietary knowledge is generally based on manufacturing procedures and technological know-how, which do not afford the same level of protection as patents or other forms of registered intellectual property; and (iii) the laws of certain foreign countries may not protect its intellectual property rights to the same extent as laws in North America and Europe.

Regulation

In both domestic and foreign markets, the formulation, manufacturing, packaging, labelling, handling, distribution, import, export, licensing, sale and storage of the Company's products are affected by a body of laws, governmental regulations, administrative determinations, including those by the Canada Food Inspection Agency, court decisions and similar constraints. Such laws, regulations and other constraints can exist at the federal, provincial or local levels in Canada and at all levels of government in foreign jurisdictions. There can be no assurance that the Company will be in compliance with all of these laws, regulations and other constraints. Failure by the Company to comply with these laws, regulations and other constraints or new laws, regulations or constraints could lead to the imposition of significant penalties or claims and could negatively impact the Company's business. In addition, the adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements might result in significant compliance costs or lead the Company to discontinue product sales and could have an adverse effect on the marketing of the Company's products, resulting in significant loss of sales.

Risk of Fluctuation in Foreign Exchange Rates

The value of the investment in each operating subsidiary is partially a function of the currency exchange rate between the Canadian dollar and the applicable local currency. In the past, the Company did not execute hedging transactions to reduce its exposure to foreign currency exchange rate risks. Accordingly, the Company may experience economic loss and a negative impact on earnings solely as a result of foreign exchange rate fluctuations, which include foreign currency devaluations against the Canadian dollar. The Company does not typically carry currency convertibility risk insurance. The Company enters into forward exchange contracts to sell foreign currencies in the future at predetermined exchange rates. These exchange contracts serve to hedge the Company's exposure to foreign exchange risk resulting for future variations in exchange rates.

Organizational Structure; Potential for Changes in Local Laws

The Company holds interests in an operating subsidiary that was incorporated in a foreign jurisdiction. There can be no assurance that the laws or administrative practices relating to taxation, foreign exchange or otherwise in such jurisdiction will not change, and any such change could materially adversely affect the Company's financial position and its ability to receive funds from these operating subsidiaries.

Changing Market Conditions

The obesity treatment market is constantly evolving, and there can be no assurance that such change will not affect the market for obesity treatment products. There can be no assurance that the Company will be able to enter into and/or sustain contractual or other marketing or distribution arrangements on a satisfactory commercial basis with its customers.

Research and Development Risk

A principal component of the Company's business strategy is to expand its product offering to better serve the needs of emerging markets. Accordingly, the Company's organic growth and long-term success are dependent on its ability to successfully develop and market new products. As a result, the Company is committed to significant research and development expenditures. However, there is no certainty that this investment in research and development will yield technically feasible or commercially viable products.

International Sales

The Company's international sales operations expose it and its representatives and distributors to risks inherent to operating in foreign jurisdictions, which could materially adversely affect its operations and financial position. These risks include:

- Country-specific taxation policies;
- Imposition of additional foreign governmental controls or regulations;
- Export license requirements;
- Changes in tariffs and other trade restrictions; and
- Complexity of collecting receivables in a foreign jurisdiction.