

Ranaz Corporation
Interim Consolidated Financial
Statements
for the Quarters ended
September 30, 2008 and 2007

Financial Statements

Consolidated Earnings and Comprehensive Loss	2
Consolidated Deficit	3
Consolidated Cash Flows	4
Consolidated Balance Sheets	5
Notes to the Consolidated Financial Statements	6 - 17

Ranaz Corporation
Consolidated Earnings and Comprehensive Loss
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales	4 859 475	3 331 706	15 937 915	9 643 067
Cost of sales	4 050 697	2 190 959	11 927 525	6 387 779
Gross profit	808 778	1 140 747	4 010 390	3 255 288
Research expenses	4 437	60 878	219 624	180 449
Selling and administrative expenses	1 494 804	1 563 483	5 654 619	5 248 010
Stock-based compensation expense	108 400	82 059	311 873	233 066
Interest expense	73 619	20 529	120 062	41 378
Amortization of property, plant and equipment, intangibles assets and differed costs	88 682	69 178	279 506	176 921
Gain on disposal of assets	(51 327)		(51 327)	(40 000)
Exchange loss (gain)	(31 099)	15 926	(49 564)	64 540
	1 687 516	1 812 053	6 484 793	5 904 364
Net loss and comprehensive loss	<u>(878 738)</u>	<u>(671 306)</u>	<u>(2 474 403)</u>	<u>(2 649 076)</u>
Basic and diluted loss per common share	<u>(0.023)</u>	<u>(0.021)</u>	<u>(0.066)</u>	<u>(0.09)</u>
Basic and diluted weighted average number of common shares outstanding	<u>38 021 834</u>	<u>31 873 504</u>	<u>37 364 433</u>	<u>29 327 250</u>

The accompanying notes are an integral part of the unaudited interim consolidated financial statements; Note 5 provides additional information included in the unaudited interim consolidated earnings.

Ranaz Corporation
Consolidated Deficit
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deficit, beginning of period	7 301 924	3 400 118	5 706 259	1 422 348
Net loss	<u>878 738</u>	<u>671 306</u>	<u>2 474 403</u>	<u>2 649 076</u>
Deficit, end of period	<u><u>8 180 662</u></u>	<u><u>4 071 424</u></u>	<u><u>8 180 662</u></u>	<u><u>4 071 424</u></u>

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

Ranaz Corporation
Consolidated Cash Flows
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(878 738)	(671 306)	(2 474 403)	(2 649 076)
Non-cash items				
Stock-based compensation expense	108 400	82 059	311 873	233 066
Amortization of property, plant and equipment, intangibles assets and differed costs	88 682	69 178	279 506	176 921
Amortization of development costs		24 501	16 330	57 169
Gain on disposal of assets	(51 327)		(51 327)	(40 000)
Interest on convertible debenture	16 821		16 821	
Changes in working capital items (Note 6)	(281 790)	(356 456)	(1 448 764)	(2 218 955)
Cash flow from in operating expenses	<u>(997 952)</u>	<u>(852 024)</u>	<u>(3 349 964)</u>	<u>(4 440 875)</u>
INVESTING ACTIVITIES				
Advances to private companies	3 891	4 643	393 501	103 961
Business acquisition			(16 092)	
Acquisition of property, plant and equipment	(128 033)	(608 638)	(355 834)	(1 035 176)
Sale of property, plant and equipment				40 000
Acquisition of intangible assets			(27 548)	
Sale of intangible assets	11 899		11 899	
Development costs	(375 710)		(375 710)	
Cash flow from investing activities	<u>(487 953)</u>	<u>(603 995)</u>	<u>(369 784)</u>	<u>(891 215)</u>
FINANCING ACTIVITIES				
Bank loan	(1 214 350)			(690 000)
Long-term debt	684 145	40 069	1 367 601	134 016
Convertible debenture	1 426 330		1 426 330	
Repayment of long-term debt	(190 796)	(22 868)	(743 260)	(82 668)
Issuance of equity instruments	1 478 470	3 202 610	2 040 081	4 186 102
Cash flow from financing activities	<u>2 183 799</u>	<u>3 219 811</u>	<u>4 090 752</u>	<u>3 547 450</u>
Net increase (decrease) in cash	697 894	1 763 792	371 004	(1 784 640)
Cash (bank overdraft), beginning of period	256 129	(13 294)	583 019	3 535 138
Cash, end of period	<u>954 023</u>	<u>1 750 498</u>	<u>954 023</u>	<u>1 750 498</u>

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

Ranaz Corporation
Consolidated Balance Sheets

	Unaudited 2008-09-30	Audited 2007-12-31
	\$	\$
ASSETS		
Current assets		
Cash	954 023	583 019
Accounts receivable	2 723 159	2 097 154
Inventories	4 513 741	2 960 543
Prepaid expenses	175 269	46 038
Property, plant and equipment available for sale	413 652	
	<u>8 779 844</u>	<u>5 686 754</u>
Balance of selling price	206 401	
Note receivable and advances		397 390
Long-term advances		27 034
Property, plant and equipment	2 064 159	1 423 745
Goodwill	562 687	61 919
Intangible assets (Note 7)	218 846	222 726
Development costs	375 710	16 330
Deferred expenditures		82 438
	<u>12 207 647</u>	<u>7 918 336</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2 832 928	1 748 046
Instalments on long-term debt	376 259	116 759
	<u>3 209 187</u>	<u>1 864 805</u>
Long-term debt	1 132 559	273 487
Convertible debenture	1 296 441	
	<u>5 638 187</u>	<u>2 138 292</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	12 009 753	9 556 926
Warrants (Note 10)	1 958 333	1 605 924
Contributed surplus (Note 8)	635 326	323 453
Equity component of the convertible debenture	146 710	
Deficit	<u>(8 180 662)</u>	<u>(5 706 259)</u>
	<u>6 569 460</u>	<u>5 780 044</u>
	<u>12 207 647</u>	<u>7 918 336</u>

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

On behalf of the Board of Directors,

Director

Director

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

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, 2007. These financial statements have not been reviewed by the Company's auditors.

3 - CHANGES IN ACCOUNTING POLICY

The Company has adopted the following new sections of the Canadian Institute of Chartered Accountants ("CICA") handbook. Adoption of these new standards has not had a material effect on the Company's earnings, financial position or cash flows.

Financial instruments - disclosure

Section 3862, *Financial Instruments - Disclosure*, applicable for interim periods in years starting on or after October 1, 2007, describes disclosure required by entities regarding the importance of financial instruments relative to the entity's financial position and performance, as well as the nature and level of risk arising from the financial instruments to which the entity is exposed, and how the entity manages such risk. This section supplements the accounting, evaluation and presentation standards for financial instruments set out in Section 3855, *Financial Instruments - Recognition and Measurement*.

Financial instruments - presentation

Section 3863, *Financial Instruments - Presentation*, applicable to interim periods for years beginning on or after October 1, 2007, establishes presentation standards for financial instruments and non-financial derivatives. It supplements the presentation standards in Section 3862, *Financial Instruments - Disclosure*.

Capital disclosure

Section 1535, *Capital Disclosure*, applicable to interim periods for years beginning on or after October 1, 2007, establishes disclosure standards for the entity's capital and how it is managed, to enable users of the financial statements to assess the Company's capital management objectives, policies and procedures.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

3 - CHANGES IN ACCOUNTING POLICY (Continued)

Inventories

Section 3031, *Inventories*, applicable to interim periods for years beginning on or after January 1, 2008, establishes standards for the determination of cost and its later expensing, including any depreciation to net realizable value. It also provides commentary on the cost determination method used to charge costs against inventories.

General standards of financial statement presentation

In June 2007, the CICA amended Section 1400, *General Standards of Financial Statement Presentation*, to require that management assess the Company's ability to continue as a going concern for a period of at least, but not limited to, 12 months from year-end. These new requirements are applicable to financial years beginning on or after January 1, 2008. The new standards only cover disclosure, and do not affect the Company's financial results.

4 - BUSINESS ACQUISITION

Pursuant to a business acquisition, the Company recognized the operating results of the business as of the effective date of the acquisition.

The Company completed the following acquisition:

- Bar-Tech Manufacturing Inc. ("Bar-Tech") - On January 11, 2008, the Company acquired all the outstanding shares of Bar-Tech, a manufacturer of nutritional bars based in Grand Rapids, Michigan.

The acquisition of the company was accounted for using the acquisition method. The breakdown of the purchase price shown below is preliminary and is based on Company management's best estimates. Consideration consisted of the issuance of 738,673 common shares and 369,337 warrants. Each warrant entitles its holder to purchase one common share for \$1.30 for a 24-month period following its issuance. The final breakdown of the purchase price should be completed once Company management has finished evaluating the assets.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

4 - BUSINESS ACQUISITION (Continued)

	\$
Assets acquired	
Non-cash working capital items	(290 100)
Property, plant and equipment	924 749
Customer relations	222 499
Goodwill, not deductible for income tax purposes	500 768
Assumption of long-term debt	(494 231)
	<u>863 685</u>
Cash reserves acquired	66 772
Net assets acquired	<u><u>930 457</u></u>
Consideration	
Issuance of equity instruments	765 155
Acquisition costs	165 302
	<u><u>930 457</u></u>

5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest on bank loan	15 500	16 252	42 261	26 843
Interest on long-term debt	58 119	4 277	77 801	14 535
Amortization of property, plant and equipment	66 318	51 323	205 198	123 356
Amortization of trademark	14 247	472	15 191	1 416
Amortization of client listings	8 117	17 383	59 117	52 149
Research expenses	22 250	82 724	268 686	266 295
Investment tax credits recognized in earnings	17 813	21 846	49 062	85 846
Sales to a company controlled by a director's close relative (a)	54 230	76 763	230 941	277 129

(a) These transactions were entered into in the normal course of business and measured at the exchange amount, which is the amount established and accepted by the parties.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

6 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

Changes in working capital items were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounts receivable	270 201	89 173	(426 973)	(828 578)
Inventories	(128 795)	(525 045)	(1 165 327)	(2 146 930)
Prepaid expenses	105 059	260 511	(128 428)	(150 419)
Accounts payable and accrued liabilities	(528 255)	(181 095)	271 964	906 972
	<u>(281 790)</u>	<u>(356 456)</u>	<u>(1 448 764)</u>	<u>(2 218 955)</u>

The breakdown of cash flows from interest and income taxes on operating earnings are detailed as followed:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest paid	56 798	20 529	103 241	41 378

7 - INTANGIBLE ASSETS

	Unaudited 2008-09-30	Audited 2007-12-31
	\$	\$
Trademark, for \$46,424 net of cumulative amortization of \$25,726 (\$10,535 in 2007)	20 698	8 341
Client listing, for \$222,499 net of cumulative amortization of \$24,351 (nil in 2007)	198 148	
Client listing, for \$347,650 net of cumulative amortization of \$133,265 in 2007		214 385
	<u>218 846</u>	<u>222 726</u>

8 - STOCK-BASED COMPENSATION

A - STOCK OPTIONS

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.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

8 - STOCK-BASED COMPENSATION (Continued)

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 September 30, 2008		Nine months ended September 30, 2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of period	2 409 884	\$0,84	2 214 884	\$0,75
Options granted	230 000	\$0,81	425 000	\$1,04
Forfeited options	101 228	\$0,35	101 228	\$0,35
Balance, end of period	<u>2 538 656</u>	<u>\$0,86</u>	<u>2 538 656</u>	<u>\$0,86</u>
Options exercisable, end of period	<u>655 798</u>	<u>\$0,70</u>	<u>655 798</u>	<u>\$0,70</u>

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

8 - STOCK-BASED COMPENSATION (Continued)

Stock options granted as at September 30, 2008, were as follows:

Exercise price	Number	Options outstanding		Options exercisable	
		Weighted average remaining term	Weighted average exercise price	Number	Weighted average exercise price
\$0.35	473 656	3.25 years	\$0,35	177 464	\$0,35
\$0.60	45 000	3.25 years	\$0,60	15 000	\$0,60
\$0.70	685 000	3.25 years	\$0,70	221 667	\$0,70
\$0.72	200 000	4.92 years	\$0,72		
\$0.95	650 000	3.33 years	\$0,95	216 667	\$0,95
\$1.15	160 000	3.44 years	\$1,15		
\$1.16	100 000	4.33 years	\$1,16	25 000	\$1,16
\$1.30	175 000	4.25 years	\$1,30		
\$1.35	20 000	4.25 years	\$1,35		
\$1.40	30 000	4.92 years	\$1,40		
Ousting at the end of the period	<u>2 538 656</u>	<u>3.44 years</u>	<u>\$0,86</u>	<u>655 798</u>	<u>\$0,70</u>

Weighted average fair value of options granted during the period

\$0,76

The fair value of options granted was estimated based on the Black-Scholes option pricing model taking into account the following weighted average assumptions:

	2008
Annual risk-free interest rate	3,27%
Volatility	85,00%
Dividend	-
Estimated term	5 years

B - CONTRIBUTED SURPLUS

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance, beginning of period	526 926	151 007	323 453	
Stock-based compensation expense	108 400	82 059	311 873	233 066
Balance, end of period	<u>635 326</u>	<u>233 066</u>	<u>635 326</u>	<u>233 066</u>

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

9 - 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 2008-09-30	Audited 2007-12-31
Issued and fully paid	\$	\$
40,565,312 common shares (35,295,387 in 2007)	<u>12 009 753</u>	<u>9 556 926</u>

Share issuances

2008

Pursuant to the acquisition of Bar-Tech on January 11, 2008, the Company issued 738,673 common shares and 369,337 warrants. Each warrant entitles its holder to purchase one common share for \$1.30 for a 24-month period.

On February 28, 2008, FIER Ville-Marie exercised its 1,428,571 warrants for a cash consideration of \$500,000.

On August 26, 2008, the Company issued a \$1,500,000 unsecured convertible debenture at 12% maturing in September 2013. The debenture is convertible into common shares of the Company at \$0.96 per share for the first 24 months. The conversion price will then rise by 10% in each of the following years. Interest will be capitalized for the first year, and there is a capital repayment holiday for the first two years. The debenture was recognized at its fair value, with the debt and equity components separated out, along with the issue costs, which were allocated between and charged against the two components. The debt component of \$1,345,712, net of issue costs of \$66,092, is evaluated at amortized cost evaluated using the effective interest rate method (16.61%). The equity component of \$154,288 net of issue costs of \$7,578 is shown under shareholders' equity as the equity component of the convertible debenture.

On September 17, 2008, the Company closed a private placement of 3,000,000 units at \$0.60 per unit for total cash proceeds of \$1,800,000. Each unit consists of one common share of the Company and half a common share purchase warrant. Each whole warrant entitles its holder to purchase one common share at \$0.75 until September 17, 2010. The share issue costs for the placement totalled \$321,527 in cash and 300,000 warrants worth \$87,270 issued to the broker for the purchase of units. These broker warrants are exercisable for an 18-month period beginning on September 17, 2008. The share issue costs were charged against share capital.

During the first nine months of fiscal 2008, 102,682 warrants were exercised for cash proceeds of \$61,607.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

2007

On January 25, 2007, the Company closed a private placement of 850,000 units at \$0.60 per unit for total cash proceeds of \$510,000. Each unit consisted on one common share of the Company and half a common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share for \$0.70 on or before January 26, 2009. Issue costs of \$40,376 were charged against capital stock.

On February 20, 2007, the holders of 9,523,811 Class "A" preferred shares converted all of these shares into common shares, as at least 20% of the common shares outstanding after conversion must be held by "public shareholders" as defined in the policies of the TSX Venture Exchange.

In the first quarter of 2007, the broker exercised its 333,333 warrants, resulting in the issuance of 333,333 units for proceeds of \$200,000. Each unit consisted of one common share of the Company and half a common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share for \$0.60 on or before December 29, 2008.

On September 26, 2007, the Company complete a public offering of 2,944,100 unites at a price of \$1,30 per unit for a total of \$3,287,330. Each unit consists of one common share and one-half of a warrant of the Corporation. Each whole warrant entitles its holder, upon payment of an exercice price of \$1,65, to acquire one common share until September 26, 2009. Share issue expenses relating to the offering total \$714,886 in cash and 117,764 warrants with a value of \$69,480 issued to the broker for the purchase of units. The broker warrants are exercisable for a period of 24 months after September 26, 2007. The share issue expenses were applied against capital stock.

During the first nine months of fiscal 2007, 673,397 warrants were exercised for cash proceeds of \$404,034.

Loss per share

Because of the net loss for 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.

10 - WARRANTS

	Unaudited 2008-09-30	Audited 2007-12-31
	\$	\$
6,910,757 warrants (6,572,673 in 2007)	1 801 583	1 536 444
417,764 broker warrants (117,764 in 2007)	156 750	69 480
	<u>1 958 333</u>	<u>1 605 924</u>

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

10 - WARRANTS (Continued)

As at September 30, 2008, the number of outstanding warrants exercisable for common shares was as follows :

Expiry	Exercise price	Number issued	Number exercisable as at 30-sept-08
December 29, 2008	\$0,60	3 333 333	2 680 638
January 26, 2009	\$0,70	425 000	425 000
September 27, 2009	\$1,65	1 472 050	1 472 050
October 1, 2009	\$1,65	463 732	463 732
January 11, 2010	\$1,30	369 337	369 337
September 17, 2010	\$0,75	1 500 000	1 500 000
			6 910 757

As at September 30, 2008, the number of issued and outstanding broker warrants exercisable for units was as follows:

Expiry	Exercise price	Number issued	Number exercisable as at 30-sept-08
September 26, 2009	\$1,30	117 764	117 764
March 17, 2010	\$0,75	300 000	300 000
			417 764

The fair value of the warrants granted in 2008 was determined using the Black-Scholes warrant pricing method based on the following weighted average assumptions:

Risk-free interest rate	2,67%
Volatility	82,00%
Dividend	-
Estimated term	2 years

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

11 - CAPITAL MANAGEMENT

The Company's capital management objective is to protect its assets and its capacity to continue as a going concern while maximizing the growth of its operations. The Company's capital consists of long-term debt, cash and cash equivalents and shareholders' equity.

On July 11, 2008, the Company signed a new credit agreement under which the financial institution has provided a loan of operations and bank loans. Under this new agreement, the company is committed to maintain 3 financial ratios at any time and 1 financial ratio on an annual base. As at December 2007, the coverage ratio of fixed charges was not respected, but the financial institution has waived at this date to recall the credit facility. As at September 30th 2008, the company does not meet its requirements at the bank keeping a minimum amount of earnings before income taxes, interest and amortization, but the financial institution has waived at this date to recall the credit facility.

12 - FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is subject to various financial risks arising from both its operating and investing activities that could have a effect on its ability to achieve its strategic and growth objectives. Company management is responsible for managing financial risk.

The Company does not enter into contracts on financial instruments, including derivatives, for speculative purposes.

Financial risks

The main financial risks to which the Company is exposed, as well as its financial risk management policies, are described below:

Exchange risk

Because of its operations in the United States and Europe, the Company is subject to an exchange risk associated with fluctuations in the US dollar and the euro. The table below shows the sensitivity of the Company's net loss and comprehensive income to a 10% increase in the US dollar and the euro against the Canadian dollar. The sensitivity analysis includes monetary items denominated in foreign currencies and takes into account the translation adjustment at the end of the period, based on a 10% change in exchange rates. An equivalent, opposite impact on net loss and comprehensive income would arise from a 10% decrease in the US dollar and the euro against the Canadian dollar.

	Impact of the US dollar	Impact of the euro
Net loss and comprehensive income	(92 845)	61 209

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

12 - FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Advances receivable and the long-term debt bear interest at a fixed rate and therefore expose the Company to a risk related to changes in fair value arising from changing interest rates.

A portion of the long-term debt and the bank loan bear interest at a variable rate and therefore expose the Company to a cash flow risk arising from changing interest rates.

The Company does not use financial derivatives to hedge its exposure to interest rates. A 1% change in interest rates would not have a material effect on the current level of loans. Consequently, a sensitivity analysis on the effects of such changes on the net loss and comprehensive income is not provided.

Credit risk

The Company is subject to credit risk, being risk related to the possibility that a customer or private company might be unable to pay the full amount due to the Company at the required time. Allowances are recognized as at the balance sheet date to account for potential losses; nevertheless, such allowances are not material. It may happen that a given account receivable represents more than 10% of total accounts receivable as at a balance sheet date. In such cases, the Company ensures that the customer is solvent and has a good payment history, and monitors the situation closely.

Liquidity risk

The Company manages its liquidity risk by maintaining a sufficient level of cash and cash equivalents and ensuring that the Company has sources of financing in the form of bank loans with sufficient authorized amounts. The Company establishes budget and cash forecasts to ensure that it has the funds required to meet its commitments.

13 - 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		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue by geographic location based on customer location				
Canada	1 364 835	1 559 564	4 999 429	4 870 224
United States	3 055 800	829 578	9 202 742	2 561 224
France	144 266	675 492	1 106 882	1 449 545
International	294 574	267 072	628 862	762 074
	<u>4 859 475</u>	<u>3 331 706</u>	<u>15 937 915</u>	<u>9 643 067</u>

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to September 30, 2008 and for the three and nine-month periods ended September 30, 2008 and 2007 are unaudited.)

13 - SEGMENTED INFORMATION (continued)

	Unaudited 2008-09-30	Audited 2007-12-31
	\$	\$
Property, plant and equipment by geographic location		
Canada	995 403	1 423 745
United States	1 068 756	
Goodwill by geographic location		
Canada	61 919	61 919
United States	500 768	

14 - PRIOR PERIOD FIGURES

Some of the comparative figures provided for prior periods have been restated to conform to the presentation for the current period.

15 - FUTURE CHANGES IN ACCOUNTING POLICY

The CICA has issued the following new recommendation applicable to the coming years. The Company will assess the effect of adoption of this new standard on its consolidated financial statements in the coming quarters.

Goodwill and intangible assets

Section 3064, *Goodwill and Intangible Assets*, provides guidelines on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard applies to years beginning on or after October 1, 2008, and requires retroactive application. The Company is presently assessing the effects of this new standard.

16 - SUBSEQUENT EVENTS

On October 7, 2008, the Company sold a land in St-Eustache for \$434,146.

On October 10, 2008, the Company entered into exchange contracts to sell US \$300,000 per month at rates of from 1.1781 to 1.1865 from November 2008 until March 2009.