Ranaz Corporation

Interim Consolidated Financial Statements for the Quarters ended September 30, 2009 and 2008

Financial Statements

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

CONSOLIDATED EARNINGS AND COMPREHENSIVE LOSS

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Sales	4,638,313	4,859,475	14,635,122	15,937,915
Cost of sales	3,603,220	4,050,697	10,774,855	11,927,525
Gross profit	1,035,093	808,778	3,860,267	4,010,390
Research expenses	106,544	4,437	375,582	219,624
Selling expenses	535,029	587,085	1,574,399	2,670,408
Administrative expenses	828,100	907,719	2,375,360	2,984,211
Product recall compensation (Note 6)			(320,000)	
Stock-based compensation expense	19,790	108,400	127,321	311,873
Interest expense	112,637	73,619	261,341	120,062
Amortization of property, plant and equipment and intangibles assets	120,871	88,682	332,336	279,506
Gain on disposal of assets		(51,327)		(51,327)
Change in fair value of derivative financial instruments	(4,499)		(101,157)	
Exchange loss (gain)	16,441	(31,099)	2,043	(49,564)
	1,734,913	1,687,516	4,627,225	6,484,793
Loss before future income taxes	(699,820)	(878,738)	(766,958)	(2,474,403)
Future income taxes			(245,000)	
Net loss and comprehensive loss	(699,820)	(878,738)	(521,958)	(2,474,403)
Basic and diluted loss per common share	(0.014)	(0.023)	(0.011)	(0.066)
Basic and diluted weighted average number of common shares outstanding	50,600,995	38,021,834	46,686,785	37,364,433
CONSOLIDATED DEFICIT				
Deficit, beginning of period	(9,312,737)	(7,301,924)	(9,490,599)	(5,706,259)
Net loss	(699,820)	(878,738)	(521,958)	(2,474,403)
Deficit, end of period	(10,012,557)	(8,180,662)	(10,012,557)	(8,180,662)

The accompanying notes are an integral part of the unaudited interim consolidated financial statements and Note 6 provides other information on the unaudited interim consolidated earnings.

Ranaz Corporation
Consolidated Cash Flows
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
OPERATING ACTIVITIES				
Net loss	(699,820)	(878,738)	(521,958)	(2,474,403)
Non-cash items				
Stock-based compensation expense	19,790	108,400	127,321	311,873
Amortization of property, plant and equipment and intangibles assets	120,871	88,682	332,336	279,506
Amortization of development costs	6,430		10,104	16,330
Gain on disposal of assets		(51,327)		(51,327)
Change in fair value of derivative financial instruments	(4,499)		(101,157)	
Interest on convertible debenture	59,052	16,821	179,166	16,821
Future income taxes			(245,000)	
Changes in working capital items (Note 7)	(363,607)	(281,790)	(1,451,212)	(1,448,764)
Cash flow from operating expenses	(861,783)	(997,952)	(1,670,400)	(3,349,964)
INVESTING ACTIVITIES				
Advances to private companies	5,927	3,891	22,906	393,501
Business acquisition				(16,092)
Property, plant and equipment	(141,766)	(128,033)	(938,723)	(355,834)
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	(135,839)	(487,953)	(915,817)	(369,784)
FINANCING ACTIVITIES				
Bank loan	610,000	(1,214,350)	905,000	
Long-term debt	37,201	684,145	37,201	1,367,601
Repayment of long-term debt	(59,959)	(190,796)	(267,958)	(743,260)
Convertible debenture		1,426,330		1,426,330
Issuance of equity instruments	1,007,117	1,478,470	1,671,352	2,040,081
Equity instrument issue costs	(65,270)		(115,148)	
Cash flow from financing activities	1,529,089	2,183,799	2,230,447	4,090,752
Impact of foreign exchange on cash	(25,579)		(15,111)	
Net increase (decrease) in cash	505,888	697,894	(370,881)	371,004
Cash (bank overdraft), beginning of period	(33,778)	256,129	842,991	583,019
Cash, end of period	472,110	954,023	472,110	954,023

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

Ranaz Corporation
Consolidated Balance Sheets

	Unaudited 2009-09-30	Audited 2008-12-31
	$	$
ASSETS		
Current assets		
Cash	472,110	842,991
Accounts receivable	2,521,657	2,242,543
Fair value of derivative financial instruments	63,997	
Inventories	4,315,185	3,827,268
Prepaid expenses	119,668	60,973
	7,492,617	6,973,775
Balance of sale, receivable in monthly instalments of €1,875 until May 2018 (effective rate of 7.75%)	174,756	197,662
Property, plant and equipment	2,753,260	2,121,106
Goodwill	999,336	999,336
Intangible assets	170,716	196,483
Development costs	499,663	509,767
	12,090,348	10,998,129
LIABILITIES		
Current liabilities		
Bank loan (note 8)	1,161,433	291,711
Fair value of derivative financial instruments		37,160
Accounts payable and accrued liabilities	1,917,314	2,466,289
Instalments on long-term debt	735,091	1,021,503
	3,813,838	3,816,663
Long-term debt	1,762,702	1,584,225
Future income taxes	191,649	436,649
	5,768,189	5,837,537
SHAREHOLDERS' EQUITY		
Capital stock (Note 10)	13,093,253	11,846,424
Warrants (Note 11)	983,697	1,381,202
Equity component of convertible debenture	146,710	146,710
Contributed surplus (Note 12)	2,111,056	1,276,855
Deficit	(10,012,557)	(9,490,599)
	6,322,159	5,160,592
	12,090,348	10,998,129

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	/S/ Edward E. March
Director	Director

Ranaz Corporation
Notes to the Consolidated Financial Statements
(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 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, 2008.

The interim consolidated financial statements for the three and nine-months ended September 30, 2009 and 2008 have not been subject to a review by the Company's external auditors.

3 - CHANGE IN ACCOUNTING POLICY

The Company has adopted the following new section of the Canadian Institute of Chartered Accountants (“CICA”) handbook. Adoption of this new standard has not had a material effect on the Company’s earnings, financial position or cash flows.

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 apply it as of January 1, 2009. The impact of the adoption of this standard is not signifiant.

4 – IMPACT OF NEW ACCOUNTING STANDARDS NOT YET APPLIEL

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:

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.

Ranaz Corporation
Notes to the Consolidated Financial Statements

(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

4 – IMPACT OF NEW ACCOUNTING STANDARDS NOT YET APPLIED (continued

Business combination

Section 1582, *Business combination* , which replacees 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, and Section 1602, 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 October 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.

5 - BUSINESS ACQUISITION

During the nine months ended September 30, 2009, there were no business acquisition. For the fiscal year ended December 2008, the Company completed business acquisition that were recorded using the purchase method. Result of this acquisition have been included in the statement of earnings from the date of acquisition.

On January 11, 2008, the Company acquired all of the outstanding shares of BarTech Manufacturing, Inc. ("BarTech"), a manufacturer of nutritional bars based in Grand Rapids, Michigan in the United States, for a total consideration of $930,457, as shown in the following table. The consideration includes issuance of 738,673 common shares and 369,337 warrants for a price based on the average market price of the common shares during the two-day period prior and subsequent to the date on which the terms of the acquisition were agreed upon and announced and $165,302 in cash. These shares and warrants were recognized at fair value, evaluated at $765,155.

Ranaz Corporation
Notes to the Consolidated Financial Statements

(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

5 - BUSINESS ACQUISITION (continued)

The values attributed to the net assets acquired are detailed as follows:	$
Net identifiable assets acquired	
Assets	
Non-cash working capital items	522,818
Property, plant and equipment	924,749
Customer relations	222,499
Goodwill, not deductible for tax purposes	937,417
	2,607,483
Liabilities	
Non-cash working capital items	812,918
Long-term debt	494,231
Future income taxes	436,649
	1,743,798
Cash situation assumed	66,772
Net assets acquired	930,457
Consideration	
Issue of equity instruments	765,155
Cash	165,302
	930,457

6 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Amortization of property, plant and equipment	112,282	66,318	306,569	205,198
Amortization of trademark	472	14,247	1,416	15,191
Amortization of client listings	8,117	8,117	24,351	59,117
Gross amount of research expenses	136,544	22,250	475,582	268,686
Investment tax credits applied against research expenses	30,000	17,813	100,000	49,062
Sales to a company controlled by a director's close relative (a)	74,114	54,230	214,657	230,941
Interest expense				
Interest on bank loan	10,395	15,500	23,426	42,261
Interest on convertible debenture	61,814		181,927	
Interest on long-term debt	40,428	58,119	55,988	77,801

(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.

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

Ranaz Corporation
Notes to the Consolidated Financial Statements
(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

7 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

Changes in working capital items were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Accounts receivable	352,478	270,201	(447,730)	(426,973)
Inventories	395,564	(128,795)	(487,917)	(1,165,327)
Prepaid expenses	44,436	105,059	(58,695)	(128,428)
Accounts payable and accrued liabilities	(1,156,085)	(528,255)	(456,870)	271,964
	(363,607)	(281,790)	(1,451,212)	(1,448,764)

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Interest paid	21,192	56,798	49,783	103,241

8 - BANK LOAN

The Company has a bank loan for a maximum authorized amount of $1,000,000 secured by a first ranking movable hypothec of $3,250,000 on all of the Company's property. This loan bears interest at the bank's base rate plus 2.50% (4,75% as at September 30, 2009) and is renewable in May 2010.

The Company also has a bank loan, with the same bank, in the form of a credit facility for a maximum authorized amount of US$247,000, secured by a first ranking movable hypothec of US$1,700,000 on all of the Company's property. This loan bears interest at the bank's U.S. base rate plus 1.00% (4.25% as at September 30, 2009) and is renewable in May 2010. The loan balance is C$256,433 (US$239,500) as at September 30, 2009.

9 - STOCK-BASED COMPENSATION

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, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

9 - 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,		Nine months ended September 30,	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of period	1,644,913	$0.63	2,589,884	$0.78
Options granted			350,000	$0.24
Options expired	234,971	$0.56	1,529,942	$0.79
Balance, end of period	1,409,942	$0.64	1,409,942	$0.64
Options exercisable, end of period	502,045	$0.68	502,045	$0.68

Ranaz Corporation
Notes to the Consolidated Financial Statements

(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

9 - STOCK-BASED COMPENSATION (Continued)

Stock options granted as of September 30, 2009, were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number	Weighted average remaining term	Weighted average exercise price	Number	Weighted average exercise price
$0.24	350,000	4.50 years	$0.24		
$0.35	304,942	2.25 years	$0.35	197,462	$0.35
$0.60	30,000	2.25 years	$0.60	20,000	$0.60
$0.70	200,000	2.25 years	$0.70	128,333	$0.70
$0.72	200,000	3.92 years	$0.72	50,000	$0.72
$1.16	100,000	2.33 years	$1.16	50,000	$1.16
$1.30	175,000	3.25 years	$1.30	43,750	$1.30
$1.35	20,000	3.45 years	$1.35	5,000	$1.35
$1.40	30,000	3.92 years	$1.40	7,500	$1.40
Oustanding at the end of the period	1,409,942	3.23 years	$0.64	502,045	$0.68
Weighted average fair value of options granted during the period				$0.12	

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

	2009
Annual risk-free interest rate	1.69%
Volatility	80.00%
Dividend	–
Estimated term	5 years

Ranaz Corporation
Notes to the Consolidated Financial Statements
(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

10 - 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 2009-09-30	Audited 2008-12-31
Issued and fully paid	$	$
58,330,314 common shares (40,565,313 in 2008)	13,093,253	11,846,424

Share issuances

2009

On January 30, 2009, the Company closed a private placement of 4,920,258 units at $0.135 per unit for total cash proceeds of $664,235. 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 $0.135 until January 30, 2011. The Company attributed a value of $550,228 to the common shares and $114,007 to the warrants. The share issue costs for the placement totalled $49,878 in cash.

On August 10, 2009, a shareholder exercised 2,460,129 warrants for a cash consideration of $332,117.

On August 28, 2009, the Company closed a private placement of 10,384,614 units at $0.065 per unit for total cash proceeds of $675,000. Each unit consisted of one common share of the Company and a common share purchase warrant. Each common share purchase warrant entitles its holder to purchase one common share for $0.10 until August 28, 2014. The Company attributed a value of $365,625 to the common shares and $309,375 to the warrants. The share issue costs for the placement totalled $65,270 in cash.

2008

Pursuant to the acquistion of BarTech 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.

Ranaz Corporation
Notes to the Consolidated Financial Statements

(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

10 - CAPITAL STOCK (Continued)

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.

Earnings (loss) per share

As a result 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.

11 - WARRANTS

	Unaudited 2009-09-30	Audited 2008-12-31
	$	$
12,717,683 warrants (4,230,119 in 2008)	896,427	1,224,452
300,000 broker warrants (417,764 in 2008)	87,270	156,750
	983,697	1,381,202

During the nine months period, 1,897,050 warrants with a carrying amount of $637,400 expired and 117,764 broker warrants with a carrying amount of $69,480 also expired.

Ranaz Corporation
Notes to the Consolidated Financial Statements

(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

11 - WARRANTS (continued)

As at September 30, 2009, the number of outstanding warrants exercisable for common shares was as follows:

Expiry	Exercise price	Number issued	Number exercisable as at September 30, 2009
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
August 28, 2014	$0.10	10,384,614	10,384,614
			12,717,683

The fair value of the warrants granted in 2009 was determined using the Black-Scholes warrant pricing method based on the following weighted average assumptions:

Annual risk-free interest rate	2.35%
Volatility	123.00%
Dividend	–
Estimated term	4,43 years

As at September 30, 2009, the number of outstanding warrants issued to brokers exercisable into units was as follows:

Expiry	Exercise price	Number issued	Number exercisable as at September 30, 2009
March 17, 2010	$0.75	300,000	300,000

12 - CONTRIBUTED SURPLUS

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Balance, beginning of period	1,462,406	526,926	1,276,855	323,453
Stock-based compensation expense	19,790	108,400	127,321	311,873
Warrants expired	628,860		706,880	
Balance, end of period	2,111,056	635,326	2,111,056	635,326

Ranaz Corporation
Notes to the Consolidated Financial Statements

(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

13 - 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, the bank loan, cash and equity instruments.

The Company's capital management objectives include maintaining a sufficient debt-equity ratio to ensure access to the necessary financing sources for the pursuit of the Company's growth.

The Company manages its capital structure and adjusts it as necessary for changes in the economic climate and the risk characteristics of the underlying assets. To preserve or modify its capital, the Company may issue new shares, refinance current debt or contract new debt.

The Company's capital structure objectives and management described above have remained essentially unchanged in the past two fiscal years. The objectives are reviewed annually.

The covenants relating to the bank loan and term loans are the following:

– The current ratio, that is current assets to current liabilities, cannot be less than a stated minimum.

– The EBITDA ratio cannot be less than a stated percentage.

– The total debt to equity ratio must be equal to or less than a stated limit.

– The debt service ratio, which is EBITDA less unfinanced capital expenditures over interest paid plus any current portion of long-term debt.

	2009
	$
Bank loan	1,161,433
Instalments on long-term debt	735,091
Long-term debt	1,762,702
Cash	(472,110)
Net debt	3,187,116
Equity	6,322,159
Net debt to equity	0.50:1

The Company believes that the internal current ratio is consistent with management's capital management objectives.

Ranaz Corporation
Notes to the Consolidated Financial Statements

(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

13 - CAPITAL MANAGEMENT (Continued)

The Company has credit facilities in the form of bank loans and term loans which must be reviewed each quarter. The Company is not in compliance with the following ratios as at December 31, 2008 and September 30, 2009.

- The EBITDA ratio which cannot be less than a stated percentage.
- The debt service ratio, which is EBITDA less unfinanced capital expenditures over interest paid plus any current portion of long-term debt.

The Company has not obtained a waiver from its financial institution regarding these defaults as at September 30, 2009 and December 31, 2008 and has therefore presented the debt in current liabilities.

14 - 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 an effect on its ability to achieve its strategic and growth objectives. Company management is responsible for managing financial risk.

Financial risks

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

Fair value of derivative financial instruments

The Company enters into forward exchange contracts to sell foreign currencies in the future at predetermined exchange rates. These forward exchange contracts are intended to hedge the Company's exposure to the risk of fluctuations in exchange rates in the future. As at September 30, 2009, the fair value of these derivative financial instruments was calculated using rates obtained from the Company's financial institution for identical financial instruments. The following table summarizes the amounts of currency sale commitments, the average exchange rate and the favourable (unfavourable) exchange rate of forward contracts as at September 30, 2009, based on their remaining term.

	Contract amount	Average rate	Fair value
Remaining term			
Less than 12 months			
U.S. dollar forward contract	375,000	1.2400	63,997

Ranaz Corporation
Notes to the Consolidated Financial Statements
(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

14 - FINANCIAL INSTRUMENTS (Continued)

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 U.S. dollar and the euro. The table below shows the sensitivity of the Company's net earnings (loss) and comprehensive income (loss) to a 10% increase in the U.S. dollar and the euro against the Canadian dollar. An equivalent, opposite impact on net earnings (loss) and comprehensive income (loss) would arise from a 10% decrease in the U.S. dollar and the euro against the Canadian dollar.

	Impact of U.S. dollar	Impact of euro
Net loss and comprehensive loss	(3,595)	(54,330)

Interest rate risk

Balance of sale 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% fluctuation of the interest rates will not have a material impact on the current level of the loans.

Credit risk

Financial instruments that could expose the Company to credit risk are primarily cash, trade accounts and balance of sale. The Company has deposited its cash in financial institutions with good reputations, and management considers the risk of losses to be negligible. The Company assesses the solvency of its customers and generally does not obtain security from them. Balance of sale is managed and evaluated quarterly to determine any loss in value. At September 30, 2009, management considered the Company's credit risk in relation to such financial assets to be low and accordingly no allowance for loss has been recorded.

Generally, the carrying amount on the balance sheet of the Company's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

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(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

14 - FINANCIAL INSTRUMENTS (Continued

Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilitiesas 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 requirement 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 is not in compliance with the financial ratios as at September 30, 2009, the ability to realize its assets and discharge its liabilities depends on the continue support of its shareholders, financial institution and other business partners.

15 - RELATED PARTIES TRANSACTIONS

The Company have transactions with related parties. 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.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Sales to a company controlled by a director's close relative	74,114	54,230	214,657	230,941
Sales to a company controlled by a director	1,015,871	656,050	2,751,815	1,737,152
Consulting fees by directors	7,090		17,492	

16 - 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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	$	$	$	$
Revenue by geographic location based on customer location				
Canada	1,572,644	1,364,835	5,131,729	4,999,429
United States	2,597,880	3,055,800	8,057,208	9,202,742
France	69,398	144,266	639,403	1,106,882
International	398,391	294,574	806,782	628,862
	4,638,313	4,859,475	14,635,122	15,937,915

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(Figures to September 30, 2009 and for the three and nine-month periods ended September 30, 2009 and 2008 are unaudited.)

16 - SEGMENTED INFORMATION (continued)

	Unaudited 2009-09-30	Audited 2008-12-31
	$	$
Property, plant and equipment by geographic location		
Canada	2,738,148	1,054,247
United States	15,112	1,066,859
	2,753,260	2,121,106
Goodwill by geographic location		
Canada	61,919	61,919
United States	937,417	937,417
	999,336	999,336

17 - SUBSEQUENT EVENT

On October 2, 2009, the Company closed a private placement of 1,750,000 units at $0.065 per unit for total cash proceeds of $113,750. Each unit consisted of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles its holder to purchase one common share for $0.10 until October 2, 2014.

18 - COMPARATIVE FIGURES

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