

Ranaz Corporation
Interim consolidated financial
statements for the quarter ended
March 31, 2007 and 2006

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Ranaz Corporation
Consolidated Earnings
(Unaudited)

	Three months ended March 31,	
	2007	2006
	\$	\$
Sales	2 912 892	2 809 593
Cost of sales	<u>2 192 974</u>	<u>1 983 731</u>
Gross profit	<u>719 918</u>	<u>825 862</u>
Research expenses	58 330	58 099
Selling and administrative expenses	1 380 439	690 130
Stock-based compensation expense	68 115	
Interest expenses	10 141	16 433
Amortization	47 506	41 496
Gain on sale of asset	(20 000)	
Exchange loss	<u>3 238</u>	<u>12 643</u>
	1 547 769	818 801
Earnings (loss) before income taxes	<u>(827 851)</u>	<u>7 061</u>
Income taxes		
Current		10 006
Future		<u>4 588</u>
	<u>-</u>	<u>14 594</u>
Net loss	<u>(827 851)</u>	<u>(7 533)</u>
Basic and diluted loss per common share	<u>(0,03)</u>	<u>(0,00)</u>
Basic and diluted weighted average number of common shares outstanding	<u>24 988 684</u>	<u>20 000 000</u>

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

Ranaz Corporation
Consolidated Deficit
(Unaudited)

	Three months ended March 31,	
	2007	2006
	\$	\$
Deficit, beginning of period	(1 422 348)	(1 104 941)
Net loss	<u>(827 851)</u>	<u>(7 533)</u>
Deficit, end of period	<u><u>(2 250 199)</u></u>	<u><u>(1 112 474)</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 March 31,	
	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net loss	(827 851)	(7 533)
Non-cash items		
Stock-based compensation expense	68 115	
Amortization	47 506	41 496
Development costs	8 167	
Gain on sale of asset	(20 000)	
Future income taxes		4 588
Changes in working capital items (Note 5)	(1 449 843)	242 111
Cash flows from operating expenses	<u>(2 173 906)</u>	<u>280 662</u>
INVESTING ACTIVITIES		
Advances to private companies	68 011	(330 971)
Property, plant and equipment	(247 923)	(22 100)
Cash flows from investing activities	<u>(179 912)</u>	<u>(353 071)</u>
FINANCING ACTIVITIES		
Bank loan	(690 000)	170 000
Repayment of debt	(23 807)	(15 472)
Issue of common shares	797 614	
Cash flows from financing activities	<u>83 807</u>	<u>154 528</u>
Net increase (decrease) in cash	(2 270 011)	82 119
Cash (bank overdraft), beginning of period	<u>3 535 138</u>	<u>(53 781)</u>
Cash, end of period	<u><u>1 265 127</u></u>	<u><u>28 338</u></u>

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

Ranaz Corporation

Consolidated Balance Sheets

	Unaudited 2007-03-31	Audited 2006-12-31
	\$	\$
ASSETS		
Current assets		
Cash	1 265 127	2 344 298
Cash in trust		1 190 840
Accounts receivable	1 788 758	835 544
Advances to private companies	60 146	118 107
Inventories	2 916 607	1 545 892
Prepaid expenses	114 726	37 371
	<u>6 145 364</u>	<u>6 072 052</u>
Long-term advances to private companies	53 701	63 751
Property, plant and equipment	773 959	535 687
Goodwill	61 919	61 919
Intangible assets (Note 6)	276 289	294 144
Development costs	89 833	98 000
	<u>7 401 065</u>	<u>7 125 553</u>
LIABILITIES		
Current liabilities		
Bank loan		690 000
Accounts payable and accrued liabilities	2 638 083	1 686 642
Instalments on long-term debt	117 399	118 335
	<u>2 755 482</u>	<u>2 494 977</u>
Long-term debt	233 059	255 930
	<u>2 988 541</u>	<u>2 750 907</u>
SHAREHOLDERS' EQUITY		
Capital stock and warrants (Note 8)	6 594 608	5 796 994
Contributed surplus	68 115	
Deficit	(2 250 199)	(1 422 348)
	<u>4 412 524</u>	<u>4 374 646</u>
	<u>7 401 065</u>	<u>7 125 553</u>

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

On behalf of the Board,

(s) Valier Boivin

Director

(s) Jean Bourassa-Marineau

Director

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at March 31, 2007 and for the three months periods ended March 31, 2007 and 2006 is unaudited)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

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

2 - BASIS OF PRESENTATION

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the accounting policies used for audited annual financial statements. These interim financial statements do not include all the presentation requirements by the GAAP and applicable for the annual financial statement and should be read in conjunction with the December 31, 2006 annual financial statements.

3 - CHANGES IN ACCOUNTING POLICIES

On January 1, 2007 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1530, *Comprehensive Income*, Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation*, Section 3865, *Hedges* and Section 3251, *Equity*. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and presentation of circumstances from non-owner sources. Other comprehensive incomes defined by revenues, expenses, gain and losses that are recognized in comprehensive income, but excluded from net income, in conformity with the generally accepted accounting principles.

Under the new standards, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale categories. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are recorded on the consolidated balance sheet at fair value at their initial recognition. After initial recognition, the financial instruments should be measured at their values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost. The effective interest related to the financial liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading is included in net income for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and all cumulative gain or loss is then recognized in net income.

Transactions costs, related to financial assets and liabilities, are accounted for in the administrative expenses.

The adoption of these sections do not have impact on the consolidated financial statements.

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at March 31, 2007 and for the three months periods ended March 31, 2007 and 2006 is unaudited)

4 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	Three months ended March 31,	
	2007	2006
	\$	\$
Interest on bank loan	4 609	6 077
Interest on long-term debt	5 532	10 356
Amortization of property, plant and equipment	29 651	40 010
Amortization of deferred charges		1 014
Amortization of trademark	472	472
Amortization of client listing	17 383	
Research expenses	90 330	75 028
Investment tax credits recorded in earnings	32 000	16 929
Sales to a company controlled by a director's close relative (a)	97 492	80 115

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

The Company makes purchases from a major supplier representing 44% of the Company's purchases (53% in 2006). As at March 31, 2007, 46% of accounts payable are to be paid to this supplier (38% in 2006).

5 - INFORMATION ON CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	Three months ended March 31,	
	2007	2006
	\$	\$
Accounts receivable	(953 214)	(607 512)
Income taxes receivable		13 716
Inventories	(1 370 715)	(485 323)
Prepaid expenses	(77 355)	(11 420)
Accounts payable and accrued liabilities	951 441	1 314 118
Income taxes payable		18 532
	<u>(1 449 843)</u>	<u>242 111</u>

Cash flows relating to interest and income taxes on operating activities are detailed as follows:

	Three months ended March 31,	
	2007	2006
	\$	\$
Interest paid	10 141	16 433
Income taxes received		13 723

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Notes to Interim Consolidated Financial Statements

(Information as at March 31, 2007 and for the three months periods ended March 31, 2007 and 2006 is unaudited)

6 - INTANGIBLE ASSETS

	Unaudited 2007-03-31	Audited 2006-12-31
	\$	\$
Trademark, for \$18,876 net of an accumulated amortization of \$9,119 (\$8,647 in 2006)	9 757	10 229
Client listing, at a cost of \$347,650 net of an accumulated amortization of \$81,118 (\$63,735 in 2006)	<u>266 532</u>	<u>283 915</u>
	<u>276 289</u>	<u>294 144</u>

7 - STOCK-BASED COMPENSATION

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

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

- The number of common shares reserved for issue under the plan with regard to any purchase option granted to an option holder at any time, cannot exceed 5% of outstanding common shares during a 12-month period;
- The maximum number of options that can be granted to consultants must not exceed 2% of outstanding common shares during any 12-month period;
- The maximum number of options that can be granted to people fostering relationships with investors must not exceed 2% of outstanding common shares during a 12-month period and must gradually vest during this 12-month period, on the basis of no more than a quarter of the prescribed shares throughout a same quarter.

The following table presents the changes in the number of options outstanding:

	Three months ended March 31, 2007	
	Number	Weighted average exercise price
Balance at the beginning	619 884	\$ 0.37
Options granted	1 495 000	\$ 0.88
Options exercised	–	–
Balance at end	<u>2 114 884</u>	<u>\$ 0.73</u>
Exercisable options at the end	<u>–</u>	<u>–</u>

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Notes to Interim Consolidated Financial Statements

(Information as at March 31, 2007 and for the three months periods ended March 31, 2007 and 2006 is unaudited)

7 - STOCK-BASED COMPENSATION (Continued)

Stock options granted on March 31, 2007 are as follows:

Exercise price	Number	Options outstanding		Exercisable options	
		Weighted average residual exercise period	Weighted average exercise price	Number	Weighted average exercise price
0,35 \$	574 884	4,75 years	\$ 0.35		
0,60 \$	45 000	4,75 years	\$ 0.60		
0,70 \$	685 000	4,75 years	\$ 0.70		
0,95 \$	650 000	4,83 years	\$ 0.95		
1,00 \$	60 000	4,83 years	\$ 1.00		
1,55 \$	100 000	4,92 years	\$ 1.55		
Outstanding, end of period	<u>2 114 884</u>	<u>4,79 years</u>	<u>\$ 0.73</u>	<u>—</u>	<u>—</u>
Weighted average fair value of options granted during the period				<u>\$ 0,58</u>	

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

	2007
Annual risk-free interest rate	between 3,96% and 4,13%
Volatility	80,00 %
Dividend	—
Estimated term	5 years

A stock-based compensation expense of \$68,115 have been recognized in the consolidated earnings in the three months periods ended March 31, 2007 and credited in the contributed surplus.

8 - CAPITAL STOCK AND WARRANTS

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, are 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.

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Notes to Interim Consolidated Financial Statements

(Information as at March 31, 2007 and for the three months periods ended March 31, 2007 and 2006 is unaudited)

8 - CAPITAL STOCK AND WARRANTS (continued)

	Unaudited 2007-03-31	Audited 2006-12-31
Issued and fully paid	\$	\$
30,920,459 common shares (19,999,999 in 2006)	5 693 194	3 732 096
5,140,255 warrants (4,761,904 in 2006)	901 414	832 714
9,523,811 class "A" preferred shares		1 153 251
333,333 warrants to broker		78 933
	<u>6 594 608</u>	<u>5 796 994</u>

Issue of securities

On January 25, 2007, the Company concluded a private placement of 850,000 units at a price of \$0.60 per unit for a total of \$510,000 in cash. Each unit is comprised of one common share of the Company and a half common share warrant. Each full common share warrant entitles the holder to purchase one common share at an exercise price of \$0.70 until January 26, 2009. The share issue expenses of \$40,376 were applied 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 since at least 20% of the outstanding shares, after conversion, are held by "public shareholders" as defined in the TSX Venture Exchange's policies.

During the first quarter of 2007, the broker exercised all its 333,333 warrants which generated cash inflows of \$200,000 and the issuance of 333,333 units. Each unit is comprised of one common share of the Company and a half common share warrant. Each full common share warrant entitles the holder to purchase one common share at an exercise price of \$0.60 until December 29, 2008.

During the first quarter of 2007, 213,316 warrants were exercised for a consideration of \$127,990 in cash.

Warrants

As at March 31, 2007, the number of outstanding warrants exercisable into common shares is as follows:

Expiration date	Exercise price	Number issued	Number exercisable
April 26, 2008	\$0,35	1 428 571	1 428 571
December 29, 2008	\$0,60	3 500 000	3 286 684
January 26, 2009	\$0,70	425 000	425 000
			<u>5 140 255</u>

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(Information as at March 31, 2007 and for the three months periods ended March 31, 2007 and 2006 is unaudited)

8 - CAPITAL STOCK AND WARRANTS (continued)

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

	2007-01-25 warrants
Risk free interest rate	4,12%
Volatility	80,00%
Dividend	-
Estimated term	2 years

Loss per share

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

9 - SEGMENTED INFORMATION

The Company operates in a single reportable operating segment. The following information provides the required enterprise-wide disclosures:

	Three months ended March 31,	
	2007	2006
	\$	\$
Revenue by geographic location according to client's location		
Canada	1 477 491	1 549 391
United States	819 682	526 462
France	362 408	491 427
International	253 311	242 313
	<u>2 912 892</u>	<u>2 809 593</u>
	Unaudited	Audited
	<u>2007-03-31</u>	<u>2006-12-31</u>
	\$	\$
Property, plant and equipment by geographic location		
Canada	<u>773 959</u>	<u>535 687</u>
Goodwill by geographic location		
Canada	<u>61 919</u>	<u>61 919</u>