

MANAGEMENT'S DISCUSSION AND ANALYSIS

This report, dated March 29, 2007, is a discussion relating to the financial position and operating results of Ranaz Corporation ("Ranaz") for the years ended December 31, 2006 and 2005. This discussion should be read in conjunction with the Company's selected consolidated financial information, our audited consolidated financial statements and the notes thereto. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Any additional information regarding the Company is available on the SEDAR Web site at the following address: www.sedar.com.

Notice regarding forward-looking statements

This Management's Discussion and Analysis includes certain "forward-looking statements", which include, but are not limited to, statements regarding strategic plans, sales and future financial results, in particular expected capital expenditures, measures to mitigate operating and financial risks, and, more generally, continued access to capital markets and the overall outlook regarding the Company. These forward-looking statements express, at the date of this Management's Discussion and Analysis, our plans, estimates, forecasts, projections, expectations or opinions regarding future events or results. The forward-looking statements include certain risks and uncertainties, many of which are beyond our control, and there is no guarantee that these statements will be accurate. Accordingly, the actual results or future events may differ substantially from these forward-looking statements. The risks and uncertainties that may cause the actual results or future events to differ substantially from the current expectations expressly or implicitly expressed in these forward-looking statements include, but are not limited to, the risks described in the "Risks" section of this Management's Discussion and Analysis. Readers should not be over confident in these forward-looking statements. We do not undertake to update the forward-looking statements included in this report.

Management's responsibility for financial reporting

The audited consolidated financial statements of Ranaz and the financial information presented in the annual report are the responsibility of management and have been approved by the Board of Directors of the Company. The said financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (Canadian "GAAP"). They include amounts based on management's best judgment and estimates. In order to ensure the accuracy and objectivity of information included in the financial statements, management has designed, 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 the safeguarding of assets. The Board of Directors approved the consolidated financial statements and this Management's Discussion and Analysis on April 10, 2007.

Summary of operations

Ranaz is a company specialized in manufacturing and marketing protein and dietary supplements related to weight loss or obesity treatments. Its operations include the design, development, production and marketing of nutritional, protein and dietary supplements. All of the Company's products have common features, including: (i) flavours, tastes and formats tailored to market needs; (ii) quick and easy preparation; (iii) scientific design; and (iv) rigorous manufacturing standards. Products are marketed under private brands, as well as under its own corporate brands. To date, the Company has based its products on two main business concepts: Protidiet and Protilife, a product line that we want to launch in 2007.

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 principal markets for Protidiet are North American weight loss clinics and European pharmacies and parapharmacies.

The Protilife line will be launched in the first quarter of 2007. The Company intends to launch a weight loss and weight maintenance program in Canada based on the expertise it has acquired in manufacturing high-protein diet products over the past 17 years. This weight loss program will include a line of products specially designed to enable quick weight loss while incorporating a healthy weight maintenance program

once a healthy weight is reached. The product line will be distributed through the independent retail big-box pharmacy networks in North America and Western Europe.

The Company markets mainly through Pro-Amino International Inc. (Pro-Amino), its wholly owned subsidiary, which holds the various trademarks and is responsible for manufacturing all of the Company's products. Pro-Amino is responsible for product distribution worldwide, with the exception of France and Belgium. In these two countries, product distribution is carried out by our wholly owned Irish subsidiary, Distridiet Limited (Distridiet).

The Company's operating earnings is obtained through sales of its products, net of cost of sales and operating expenses.

Cost of sales includes all expenses incurred in the manufacturing of products for sale, such as operating manufacturing equipment (including the cost of personnel and other related costs) and the cost of raw materials used to develop finished products, as well as the costs of shipping the finished products to the customers, markets and intermediaries covered by the marketing strategy.

Operating expenses include: (i) *Research expenses*, consisting mainly of expenses related to the product development work and all the testing to control quality, nutritional content and microbiology and to carry out sensory analyses; (ii) *Selling and administrative expenses*, which include the costs related to the sales and marketing teams and efforts, as well as administrative functions and support; and (iii) *Amortization expense*, which includes capital assets, trademarks and "customer list".

Highlights for the period

- Closing for an initial public offering for \$4,000,000.
- Share issue in April 2006 for an amount of \$1,000,000.
- Development of the new Protolife product line.
- \$327,878 gain on settlement of balance of sale.
- Loss for the year totalling \$317,407.
- Basic and diluted loss per common share of \$0.015.

Selected consolidated financial information

	2006	2005	2004
	(\$)	(\$)	(\$)
Sales	9,550,277	8,141,605	7,993,551
Gross profit	2,809,238	2,692,561	2,421,208
Net earnings (loss) for the year	(317,407)	(1,388,015)	(1,485,755)
Basic and diluted loss per share for the year	(0.015)	(0.075)	(148,575,500)
Loss before interest, taxes, depreciation and amortization (EBITDA)	(74,396)	(1,100,515)	(1,186,368)
Basic earnings before interest, taxes and depreciation and amortization (EBITDA) per share	(0.004)	(0.060)	(118,636,800)

Reconciliation of EBITDA

Management believes that EBITDA is an important measure in evaluating the performance of the Company. However, EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA 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 and has computed EBITDA as described under "Definition of Non-GAAP Measures". The

following table reconciles EBITDA to net loss, based on the historical financial statements of the Company for the periods indicated.

(In thousands of dollars)	December 31, 2006	December 31, 2005	December 31, 2004
Net loss	(317)	(1,388)	(1,486)
Interest	69	65	116
Income tax expense	(60)	28	(54)
Amortization	234	194	238
EBITDA	(74)	(1,101)	(1,186)

Comparison between the years ended December 31, 2006 and 2005

On December 29, 2006, we finalized our initial public offering and listed our shares on the TSX Venture Exchange (RNZ). The initial public offering consisted of an offering of 6,666,667 units at \$0.60 for proceeds of \$4,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder upon payment of an exercise price of \$0.60 in cash to purchase one common share until December 29, 2008. For more information on the initial public offering, please refer to our final prospectus dated November 28, 2006 found on the SEDAR Web site at www.sedar.com. The proceeds of this offering will mainly be used to launch the Protolife product line in the first quarter of 2007, to acquire land to build a new plant for September 2007 and to integrate the nutrition bar production line into the new plant.

On April 26, 2006, we issued 2,857,143 Class “A” common shares and 1,428,571 warrants in consideration of \$1.0 million in cash. The warrants entitle their holders to acquire 1,428,571 common shares at a price of \$0.35 per share and must be exercised by April 26, 2008 at the latest.

On November 22, 2006, we recorded a gain on the settlement of a balance of sale totalling \$327,878 in connection with the settlement of a dispute that resulted in the cancellation of the balance of sale that was recorded in our books. The settlement, which provides for the payment of €38,000 (payable in 12 instalments) in consideration for the cancellation of a balance of sale due in the amount of \$327,878, was approved by the French court on November 22, 2006.

At the beginning of fiscal 2006, with an effective date of February 1, 2006, we acquired the customer list of Beautyfood S.A., thereby bringing the distribution operations for its products back in-house for the entire Benelux region (Belgium, the Netherlands and Luxembourg) for €250,000. This transaction is particularly important since in May 2006, we transferred the logistics operations we had in France with DGX Pharma to Eurodep, which offers the same line of services as DGX in addition to enhanced customer service in France and effective coverage of Belgium.

Sales and gross margin

Sales amounted to \$9.55 million for the year ended December 31, 2006, up \$1.4 million, or 17.3%, from the amount recorded for the same period the previous year. This improvement was mainly due to higher Protidiet product sales in North America. More specifically, the Company’s increase in sales is partly due to the initial and growing deliveries of the Company’s products to the Herbal Magic franchise network since the beginning of fiscal 2006. The agreement in question was entered into by the parties in October 2005.

The Company’s improved sales for fiscal 2006 were partially dampened, however, by softer European sales for the year, compared with 2005. This slowdown was mainly due to delivery issues experienced by the logistics firm hired by the Company to distribute Protidiet in France and Belgium. On May 17, 2006, we entered into a logistics arrangement with a new partner, Eurodep, to resolve the situation. Finally, sales were

adversely affected by the Canadian dollar's appreciation against U.S. dollar and the euro for sales made in these two currencies, respectively.

In management's opinion, sales in future periods will increase in most of its geographic segments. For the Protidiet product, we intend to continue developing new customer bases in North America by introducing new products and enhancing our service level. In the shorter term, we continued developing Protidiet, particularly by introducing two new liquid juice concentrates and a cereal in the last quarter of 2006. These products were unveiled at a specialized trade show held in the U.S. by American Society of Bariatric Physicians (ASBP). In addition, we plan to introduce additional Protidiet products in Europe in early 2007. Finally, during the last quarter, we launched our new Protidiet Web site in Europe (www.protidiet.com). We believe that it will enable European consumers to buy Protidiet brand products directly, while accessing a host of related information.

Management also intends to ramp up sales in future periods by launching its new Protilife brand product line. The Protilife line will be sold in pharmacies across North America and Western Europe and will be based on a protocol offering quick weight loss and healthy weight maintenance.

With regard to the longer term, we are currently studying a project to manufacture nutrition bars. To date, the Company has purchased and resold such nutrition bars from a subcontractor under the Protidiet and private brands with volumes totalling up to approximately 7,500,000 bars per year.

Gross profit amounted to \$2.81 million for fiscal 2006, up from \$2.69 million for the corresponding period ended December 31, 2005, representing 29.4% and 33.1% of sales for each period, respectively (gross margin). This decrease in gross margin was mainly due to the following: (i) the Canadian dollar's appreciation against the U.S. dollar and the euro, as explained above; and (ii) the impact of the fuel surcharge on transportation costs related to raw material procurement and product shipments to our customer base. We continue to minimize this impact through enhanced productivity and price adjustments, where appropriate.

Operating and other expenses

Research expenses increased by \$41,400, or 23.1%, during the year ended December 31, 2006 to total \$220,600 compared to \$179,200 in the previous year. This increase is due to work on new Protidiet products and the development of nutrition bars. In addition, we have capitalized development costs totalling \$98,000 relating to the new Protilife product line on the balance sheet. We anticipate that research and development costs will increase in the short to medium term due to the completion of Protilife products and the nutrition bar project.

Selling and administrative expenses rose 20.7%, or \$492,100, to total \$2.9 million for the year ended December 31, 2006, compared to \$2.4 million for the year ended December 31, 2005. They represented 30.1% and 29.3% of the Company's sales for the two years respectively. This increase was mainly attributable to new management hires in keeping with future growth goals and the additional responsibilities arising from our IPO preparation. This increase was also caused by higher sales commissions, which rise proportionately with sales. We expect current selling and administrative expenses to rise in the short to medium term as a result of our second concept, Protilife.

Amortization expense amounted to \$234,400 for the year ended December 31, 2006, up \$40,700 from \$193,700 for the same period in 2005. This increase was primarily due to the amortization of intangible assets in respect of a customer list, which was recorded upon the acquisition of the distribution operations of Beautyfood S.A. with an effective transaction date of February 1, 2006. This additional amortization was partially offset, however, by a decline in amortization of property, plant and equipment between the compared years. Management expects current amortization expenses to increase as of the launch of its Protilife nutrition bar line and a new plant commissioning towards the end of 2007.

Interest expense was practically unchanged, totalling \$69,000 for the year ended December 31, 2006 compared to \$65,900 for the year ended December 31, 2005.

Exchange loss amounted to \$66,800 for the year ended December 31, 2006 compared to a loss of \$168,000 for the year ended December 31, 2005. This improvement resulted mainly from a slow down in the Canadian dollar's appreciation against foreign currencies for 2006 compared with 2005.

We wrote off a \$50,000 investment in a private company during the year as a result of the impending closure of this company.

Net loss for the year ended December 31, 2006 was \$317,400, compared with a net loss of \$1,388,000 for the year ended December 31, 2005.

Consolidated cash flows

Liquidity and capital resources

Since inception, the Company has financed its business with cash flows from operating activities, loans and proceeds from equity issues. On December 29, 2006, we issued 6,666,667 units in consideration of \$4,000,000 in cash. On April 26, 2006, we issued 2,857,143 Class "A" common shares and 1,428,571 warrants in consideration of \$1 million in cash.

Cash flows from operating activities

Cash flows from *operating activities* for the year ended December 31, 2006 totalled \$173,100, compared with an outflow of \$289,000 for the year ended December 31, 2005.

For fiscal 2006 and 2005, cash inflows of \$582,200 and cash outflows of \$136,100 were attributed to changes in working capital items. For the year ended December 31, 2006, the cash inflow of \$582,200 related to a change in working capital items is mainly attributable to an increase in accounts payable and accrued liabilities during the year, although partially offset by an increase in current inventories during the same year.

Investing activities

Our *investing activities* consist mainly in acquiring fixed assets for manufacturing the marketed products and making advances to subsidiaries, mainly to complete the acquisition of customer lists on a timely basis and developing new products.

During the year ended December 31, 2006, we spent \$106,000 on sustaining capital expenditures and \$347,700 (€250,000) to acquire the customer list for Protidiet products for the entire Benelux region (Belgium, Luxemburg and the Netherlands), in addition to \$164,800 for new product development costs.

Financing activities

During the year ended December 31, 2006, we contracted an additional demand bank loan of \$290,000, repaid \$200,000 in bank loans and \$125,900 in long-term loans. Finally, we issued 6,666,667 units on December 29, 2006 in consideration of \$3,101,529 (net of share issuance costs of \$898,471, of which \$630,438 were for professional fees and \$268,033 were for broker's fees). On April 26, 2006, we issued 2,857,143 Class "A" common shares and 1,428,571 warrants in consideration of \$1 million in cash, for net proceeds of \$927,664 (net of share issuance costs of \$72,336).

Capital resources and balance sheet

Consolidated balance sheet data

	December 31, 2006	December 31, 2005
	\$	\$
Cash (bank overdraft)	2,344,298	(53,781)
Cash held in trust	1,190,840	-
Current assets	6,072,052	2,230,476
Working capital	3,577,075	337,097
Total assets	7,125,553	2,965,135
Current liabilities	2,494,977	1,893,379
Long-term debt	255,930	362,432
Total liabilities	2,750,907	2,302,275
Total shareholders' equity	4,374,646	662,860

Management believes that the Company's liquidities, the amounts available under bank credit agreements and the anticipated cash flows from operations will be sufficient to meet working capital needs, contractual obligations and capital expenditure requirements in the foreseeable future.

Change in long-term balance sheet items

The increase of \$318,800, or 43.4%, in long-term assets between December 31, 2005 and December 31, 2006 resulted primarily from the following:

- The recognition of an intangible asset in respect of the acquisition as at February 1, 2006 of the customer list for the Company's Protidiet products for the entire Benelux region (Belgium, the Netherlands and Luxembourg) for €250,000 (\$347,700). As at December 31, 2006, the customer list intangible asset balance amounted to \$283,900. No comparable amount appeared in the balance sheet of the Company as at December 31, 2005;
- The recognition of development costs totalling \$98,000 as at December 31, 2006 for the new Protiflife product line compared to no amount being capitalized as at December 31, 2005.
- An amount of \$63,800 of the advances to private companies totalling \$221,300 made as at December 31, 2005 has been reclassified in long-term assets during the year ended December 31, 2006 to reflect the new deadlines. This classification of the short- and long-term portions of these advances resulted directly from the new cooperation agreement with the Belgian company following the acquisition as at February 1, 2006 of the customer list for the Company's Protidiet products, as discussed above;
- However, the contributing factors behind the increase were partially offset by a decline in property, plant and equipment over the period, which was mainly due to the amortization of manufacturing equipment and, to a lesser degree, to the amortization of computer equipment and leasehold improvements during the year ended December 31, 2006. An amount of \$106,000 was invested during the year for additions to property, plant and equipment. In the balance sheet, property, plant and equipment (at amortized cost) for the year amounted to \$535,700 as at December 31, 2006 down \$58,700, or 9.9%.

During the same year, the Company's long-term liabilities decreased \$153,000, or 37.4%, to \$255,900 as at December 31, 2006. This decrease resulted from the repayment of \$125,900 in long-term debt during the year ended December 31, 2006 and a decrease in future income taxes of \$46,500.

Shareholders' equity amounted to \$4.4 million as at December 31, 2006, up \$3,711,800 or 560%. This growth was attributable to a \$4,029,200 increase in capital stock during the year, that is the proceeds of issuance net of issuance costs of the IPO following the issuance of 6,666,667 units on December 29, 2006 and the offering of 2,857,143 Class "A" common shares and 1,428,571 warrants of the Company on April 26, 2006. This rise was partially offset by the net loss of \$317,400 recorded during the year ended December 31, 2006, which was charged to the deficit during this year.

Capital stock information

	Authorized	Issued as at December 31, 2006	Issued as at March 29, 2007
Common shares	Unlimited	19,999,999	30,763,060
Warrants	4,761,904	4,761,904	4,901,820
Broker's warrants	333,333	333,333	-
Class "A" preferred shares	Unlimited	9,523,811	-
Common stock options	2,952,381	619,884	2,114,884

Contractual obligations and commitments

Our contractual obligations consist of commitments to repay certain loans as well as to pay amounts under operating lease agreements and obligations under capital leases. As at December 31 2006, we have entered into long-term lease agreements maturing until 2012, which call for lease payments of \$123,590 for the rental of a building and \$18,408 for the rental of automotive and office equipment in 2007 and \$12,800 for 2008 to 2011. The minimum lease payments for the next five years under these agreements and the terms of its loans are set forth below:

Year	Loans (\$)	Obligations under capital leases (\$)	Operating lease agreements (\$)
2007	110,854	9,416	141,998
2008	110,854	7,080	12,800
2009	110,854	-	12,800
2010	28,617	-	12,800
2011	-	-	12,800
Total	361,179	16,496	193,198

Under the terms of these loans, the Company is committed to complying with certain requirements, as at December 31, 2006, the Company does not comply with these requirements. As a result of such non-compliance, the loans are payable on demand. However, the financial institution has agreed to waive its demand rights for a term of more than one year as of December 31, 2006.

Quarterly review

The following table presents selected quarterly financial information for the past two quarters.

	Q4 - 2006	Q3 - 2006	Q4 - 2005	Q3 - 2005
	(\$)	(\$)	(\$)	(\$)
Sales	2,093,846	2,091,010	2,019,233	1,860,022
Net earnings (loss) for quarter	(341,470)	107,023	(1,085,512)	(169,321)
Basic earnings (loss) per share for quarter	(0.017)	0.01	(0.059)	(0.01)
Diluted earnings (loss) per share for quarter	(0.017)	0.01	(0.059)	(0.01)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(352,071)	157,496	(1,027,583)	(126,748)
Basic earnings before interest, taxes, depreciation and amortization (EBITDA) per share	-	0.007	-	(0.007)

Sales amounted to \$2.1 million for the fourth quarter of 2006, virtually unchanged from the same quarter in 2005 i.e. \$2.0 million. The slight increase in sales in North America was offset by a decline in sales in Europe.

Gross profit rose from \$530,800 for the fourth quarter of 2005 to \$491,500 for the fourth quarter of 2006, representing 26.3% and 23.5% of sales for each period, respectively (gross profit). This decrease in gross margin was mainly due to the following: (i) the Canadian dollar's appreciation against the U.S. dollar and the euro; and (ii) the impact of the fuel surcharge on transportation costs related to raw material procurement and product shipments to our customer base. We continue to minimize this impact through enhanced productivity and price adjustments, where appropriate.

Operating and other expenses

Research expenses amounted to \$53,100, a \$34,200 or 180% increase in the quarter ended December 31, 2006 compared with \$18,900 for the previous year. The increase is attributable to work on new Protident products and the development of nutrition bars. In addition, we capitalized \$98,000 in development costs relating to the new Protiflife product line on the balance sheet. We expect that current research expenses to increase in the short to medium term due to completion of the Protiflife products and the nutrition bar project.

Selling and administrative expenses rose 28.9% or \$202,800 to \$904,300 for the fourth quarter ended December 31, 2006 compared to \$701,500 for the same quarter in 2005, representing 43.2% and 34.7% respectively of sales for the two periods. This increase was mainly attributable to new management hires in keeping with future growth goals and the additional responsibilities arising from our IPO preparation. During the fourth quarter of 2005, the Company granted stock options to a director, resulting in stock-based compensation of \$1,064,000.

Amortization expense amounted to \$63,900 for the quarter ended December 31, 2006, up \$14,600 compared to \$49,300 for the same quarter in 2005. This increase was primarily due to the amortization of intangible assets in respect of a customer list, which was recorded upon the acquisition of the distribution operations of Beautyfood S.A. with an effective transaction date of February 1, 2006. This additional amortization was partially offset, however, by a decline in amortization of property, plant and equipment between the compared quarters.

Interest expense remained substantially unchanged at \$(1,000) in the fourth quarter of 2006, compared to \$(38,300) for the same quarter in 2005. The change is primarily attributable to the reclassification of bank charges.

The \$50,000 investment in a private company was written of during the last quarter of 2006 as a result of the impending closure of this company.

Exchange loss amounted to \$56,000 for the quarter ended December 31, 2006, compared to a \$226,100 loss for the same quarter in 2005. This improvement resulted mainly from a slow down in the appreciation of the Canadian dollar against foreign currencies for the 2006 quarter, compared to the comparative quarter in 2005.

Net loss for the quarter ended December 31, 2006 stood at \$341,500, down from \$1,085,500 for the same quarter in 2005.

Dividends

We currently intends to reinvest future earnings to finance the Company's growth. Consequently, we do 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 on financial position, results of operations, capital requirements and such other factors as the Board of Directors shall deem relevant.

Significant accounting policies

Refer to note 2 "Accounting Policies" to the Company's consolidated financial statements appearing elsewhere in this annual report for the list of the Company's significant accounting policies.

Changes in accounting policies

The Company did not make any accounting changes during the 2006 and 2005 fiscal years.

Critical accounting estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes thereto. Significant accounting estimates include goodwill valuation and the valuation of certain expenses payable. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates but, in our opinion, would not result in significant variances in the amounts recorded in the financial statements. Goodwill is tested for impairment annually or more frequently if changes in circumstances indicate that may be impaired. As at December 31, 2006, no write-down is required.

Future outlook

Management expects that the Company's sales will continue to grow, thanks to additional products sold to existing customers, the addition of new customers, sales of new and complementary products and services and the implementation of overall growth strategies. Certain cost components, including the cost of sales and selling and administrative expenses should also increase due to higher product sales. Amortization expense is also expected to increase significantly if the Company proceeds with its plans to build a new plant.

At the date hereof, the Company has signed major marketing agreements for its Protilife product line with the following customers/banners: Brunet, Familiprix, PJC Jean Coutu, Proxim, Shoppers Drug Mart/Pharmaprix and Uniprix. The Company is confident it will add new customers/banners in the coming months.

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. Each unit comprises one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder to purchase one common share at an exercise price of \$0.70 until January 26, 2009.

At the date hereof, the broker has exercised all of its 333,333 warrants, which generated cash inflows of \$200,000.

Financial instruments

See note 15 “Fair value of financial instruments” to the consolidated financial statements of the Company, which are included elsewhere in this annual report, for the details relating to the methods and assumptions used to determine the estimated fair value of each class of financial instruments of the Company.

Risks

Inability to implement our business strategy

The growth and expansion of our business are heavily dependent upon the successful implementation of our 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. Dependence on suppliers and customers

The Company purchases the principal raw materials it needs to manufacture its products from third parties. In 2006, the Company made 45% of its purchases (31% during the year ended December 31, 2005) from a single supplier. However, the Company has maintained a good business relationship with this supplier for the past 13 years. The Company is also protected by an insurance policy in the event of a major disaster with this supplier. The Company’s sales come from a large number of clients. Therefore, the Company is not dependent on any of its clients.

Sourcing of suitable distributors

Revenue and earnings stability and growth are directly dependent on the effectiveness of advertising, marketing and promotional programs, and effective distribution. The Company currently sell its products through specialized obesity treatment centres in North America and pharmacies and parapharmacies in Europe. 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 \$10 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 amounts. 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 nor can there be any assurance 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 our financial condition 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) much of the Company's proprietary knowledge is 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; (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.

Risks of foreign exchange rate fluctuation

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 general, the Company does 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.

Organizational structure; potential for local law changes

The Company holds interests in an operating subsidiary, which was incorporated in a foreign jurisdiction (Ireland). 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 changes 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 is 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, agents 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;
- Complexity of collecting receivables in a foreign jurisdiction.

Reporting controls and procedures

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining reporting controls and procedures for the Company. These reporting controls and procedures have been designed to provide reasonable assurance that the material information relating to the Company is known to management in the period in which the annual filings are made. The Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the reporting controls and procedures as at December 31, 2006. On the basis of this evaluation, the Company's Chief Executive Officer and Chief Financial Officer were satisfied with the effectiveness, in all material respects, of the Company's reporting controls and procedures to ensure that material information relating to the Company and its subsidiaries was made known to them.

In the course of management's evaluation of the design of reporting controls and procedures, it was determined that increased supervision by management of the level of its controls and procedures should offset the lack of segregation of tasks, a situation attributable to the size of the Company. The Company intends to conduct a thorough evaluation of its internal reporting controls during fiscal 2007.