

Ranaz Corporation
Interim Consolidated Financial
Statements
for the Quarters ended
March 31, 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 - 16

Ranaz Corporation
Consolidated Earnings and Comprehensive loss
(unaudited)

	Three months ended March 31,	
	2008	2007
	\$	\$
Sales	4 355 416	2 908 642
Cost of sales	<u>3 168 577</u>	<u>2 007 617</u>
Gross profit	<u>1 186 839</u>	<u>901 025</u>
Research expenses	131 776	58 330
Selling and administrative expenses	2 082 328	1 561 546
Stock-based compensation expense	101 083	68 115
Interest expense	17 439	10 141
Amortization of property, plant and equipment, intangibles assets and deferred costs	91 091	47 506
Gain on sale of property, plant and equipment		(20 000)
Exchange loss (gain)	<u>(50 132)</u>	<u>3 238</u>
	2 373 585	1 728 876
Net loss and comprehensive loss	<u>(1 186 746)</u>	<u>(827 851)</u>
Basic and diluted loss per common share	<u>(0.03)</u>	<u>(0.03)</u>
Basic and diluted weighted average number of common shares outstanding	<u>36 519 769</u>	<u>24 988 684</u>

The accompanying notes are an integral part of the unaudited interim consolidated financial statements and Note 5 provides other information on the unaudited interim consolidated earnings.

Ranaz Corporation
Consolidated Deficit
(unaudited)

	<u>Three months ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
	\$	\$
Deficit, beginning of period	(5 706 259)	(1 422 348)
Net loss	<u>(1 186 746)</u>	<u>(827 851)</u>
Deficit, end of period	<u><u>(6 893 005)</u></u>	<u><u>(2 250 199)</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,	
	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Net loss	(1 186 746)	(827 851)
Non-cash items		
Stock-based compensation expense	101 083	68 115
Amortization of property, plant and equipment, intangibles assets and deferred costs	91 091	47 506
Amortization of development costs	16 330	8 167
Gain on sale of property, plant and equipment		(20 000)
Changes in working capital items (Note 6)	(463 834)	(1 449 843)
Cash flow from in operating expenses	<u>(1 442 076)</u>	<u>(2 173 906)</u>
INVESTING ACTIVITIES		
Advances to private companies	388 631	68 011
Business acquisition	(16 092)	
Property, plant and equipment	(153 660)	(247 923)
Cash flow from (used in) investing activities	<u>218 879</u>	<u>(179 912)</u>
FINANCING ACTIVITIES		
Bank loan		(690 000)
Repayment of long-term debt	(505 856)	(23 807)
Issuance of equity instruments	541 401	797 614
Cash flow from financing activities	<u>35 545</u>	<u>83 807</u>
Net decrease in cash	(1 187 652)	(2 270 011)
Cash, beginning of period	<u>583 019</u>	<u>3 535 138</u>
Cash (bank overdraft), end of period	<u>(604 633)</u>	<u>1 265 127</u>

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

Ranaz Corporation

Consolidated Balance Sheets

	Unaudited 2008-03-31	Audited 2007-12-31
	\$	\$
ASSETS		
Current assets		
Cash		583 019
Accounts receivable	2 334 863	2 097 154
Inventories	3 969 394	2 960 543
Prepaid expenses	128 624	46 038
	<u>6 432 881</u>	<u>5 686 754</u>
Note receivable and advances	30 437	397 390
Long-term advances		27 034
Property, plant and equipment	2 437 035	1 423 745
Goodwill	562 687	61 919
Intangible assets (Note 7)	419 253	222 726
Development costs		16 330
Deferred costs		82 438
	<u>9 882 293</u>	<u>7 918 336</u>
LIABILITIES		
Current liabilities		
Bank overdraft	604 633	
Accounts payable and accrued liabilities	2 898 106	1 748 046
Instalments on long-term debt	126 299	116 759
	<u>3 629 038</u>	<u>1 864 805</u>
Long-term debt	252 322	273 487
	<u>3 881 360</u>	<u>2 138 292</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	10 877 130	9 556 926
Warrants (Note 10)	1 592 272	1 605 924
Contributed surplus (Note 8)	424 536	323 453
Deficit	<u>(6 893 005)</u>	<u>(5 706 259)</u>
	<u>6 000 933</u>	<u>5 780 044</u>
	<u>9 882 293</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,

(s) Jean Bourassa-Marineau

Director

(s) Martin Vidal

Director

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 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.

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 procedures, objectives and policies.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 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 effect 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:

- BarTech Manufacturing Inc. ("BarTech") - On January 11, 2008, the Company acquired all the outstanding shares of BarTech, 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 breakdown of the final purchase price should be completed once Company management has finished evaluating the assets.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 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 acquired	<u>66 772</u>
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 March 31,	
	2008	2007
	\$	\$
Interest on bank loan	9 685	4 609
Interest on long-term debt	7 754	5 532
Depreciation of property, plant and equipment	65 119	29 651
Amortization of trademark	472	472
Amortization of client listings	25 500	17 383
Research expenses	154 276	90 330
Investment tax credits recognized in earnings	22 500	32 000
Sales to a company controlled by a director's close relative (a)	100 894	97 492

(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.

6 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

Changes in working capital items were as follows:

	Three months ended March 31,	
	2008	2007
	\$	\$
Accounts receivable	(98 210)	(953 214)
Inventories	(620 979)	(1 370 715)
Prepaid expenses	(81 784)	(77 355)
Accounts payable and accrued liabilities	337 139	951 441
	<u>(463 834)</u>	<u>(1 449 843)</u>

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

6 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS (Continued)

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

	Three months ended March 31,	
	2008	2007
	\$	\$
Interest paid	17 439	10 141

7 - INTANGIBLE ASSETS

	Unaudited	Audited
	2008-03-31	2007-12-31
	\$	\$
Trademark, for \$18,876 net of an accumulated amortization of \$11,007 (\$10,535 in 2007)	7 869	8 341
Client listing, for \$222,499 net of an accumulated amortization of \$8,117 (nil in 2007)	214 382	
Client listing, for \$347,650 net of an accumulated amortization of \$150,648 (\$133,265 in 2007)	197 002	214 385
	<u>419 253</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.

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;

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

8 - STOCK-BASED COMPENSATION (Continued)

- 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 March 31,	
	Number	Weighted average exercise price
Balance, beginning of period	2 214 884	\$0,75
Options granted	195 000	\$1,31
Balance, end of period	2 409 884	\$0,84
Options exercisable, end of period	655 798	\$0,70

Stock options granted as of March 31, 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	574 884	3.75 years	\$0,35	177 464	\$0,35
\$0.60	45 000	3.75 years	\$0,60	15 000	\$0,60
\$0.70	685 000	3.75 years	\$0,70	221 667	\$0,70
\$0.95	650 000	3.83 years	\$0,95	216 667	\$0,95
\$1.15	160 000	3.94 years	\$1,15		
\$1.16	100 000	4.83 years	\$1,16	25 000	\$1,16
\$1.30	175 000	4.75 years	\$1,30		
\$1.35	20 000	4.75 years	\$1,35		
Oustanding at the end of the period	2 409 884	3.91 years	\$0,84	655 798	\$0,70

Weighted average fair value of options granted during the period

\$1,03

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

8 - STOCK-BASED COMPENSATION (Continued)

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

	<u>2008</u>
Annual risk-free interest rate	3,50%
Volatility	91,00%
Dividend	-
Estimated term	5 years

B - CONTRIBUTED SURPLUS

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

	<u>Three months ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
	\$	\$
Balance, beginning of period	323 453	
Stock-based compensation expense	101 083	68 115
Balance, end of period	<u>424 536</u>	<u>68 115</u>

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

	<u>Unaudited</u>	<u>Audited</u>
	<u>2008-03-31</u>	<u>2007-12-31</u>
	\$	\$
Issued and fully paid		
37,531,632 common shares (35,295,387 in 2007)	<u>10 877 130</u>	<u>9 556 926</u>

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

9 - CAPITAL STOCK (Continued)

Share issuances

2008

Pursuant to the acquisition 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.

An additional 69,002 warrants were also exercised in the first quarter of 2008 for cash consideration of \$41,401.

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.

Also in the first quarter of 2007, 213,316 warrants were exercised for cash proceeds of \$127,990.

Loss per share

Because of the net loss for 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 common share, since inclusion of such securities would be anti-dilutive.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

10 - WARRANTS

	Unaudited 2008-03-31	Audited 2007-12-31
	\$	\$
5,444,437 warrants (6,572,673 in 2007)	1 522 792	1 536 444
117,764 broker warrants (117,764 in 2007)	69 480	69 480
	<u>1 592 272</u>	<u>1 605 924</u>

As at March 31, 2008, the number of outstanding warrants exercisable for common shares was as follows:

Expiry	Exercise price	Number issued	Number exercisable as at March 31, 2008
December 29, 2008	\$0,60	3 333 333	2 714 318
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
			<u>5 444 437</u>

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

Risk-free interest rate	3,23%
Volatility	91,00%
Dividend	-
Estimated term	2 years

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, which comprises the deficit and capital stock.

The credit facility includes restrictive provisions, namely a working capital ratio, shareholders' equity ratio, debt-to-equity ratio and fixed-charge coverage ratio. These ratios are monitored on a monthly basis. The fixed-charge coverage ratio was not met as at March 31, 2008 and December 31, 2007, but at December 31, 2007, the financial institution waived its right to recall the credit facility. Aside from the restrictive provisions of the credit facility, the Company is not subject to any third party capital requirements.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

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 loss 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 loss 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 loss	(110 966)	78 975

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. Company management does not consider the potential impact of changes in interest rates on existing loans to be material.

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

12 - FINANCIAL INSTRUMENTS (Continued)

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 occur as at some balance sheet date, that some account receivable which the balance is higher than 10% of the total. In this case, the Company ensures that its customers are solvent and have 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 sufficient 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 sufficient funds 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 March 31,	
	2008	2007
	\$	\$
Revenue by geographic location based on customer location		
Canada	1 498 205	1 473 241
United States	2 365 063	819 682
France	343 271	362 408
International	148 877	253 311
	<u>4 355 416</u>	<u>2 908 642</u>
	Unaudited	Audited
	2008-03-31	2007-12-31
	\$	\$
Property, plant and equipment by geographic location		
Canada	<u>1 425 231</u>	<u>1 423 745</u>
United States	<u>1 011 804</u>	
Goodwill by geographic location		
Canada	<u>61 919</u>	<u>61 919</u>
United States	<u>500 768</u>	

Ranaz Corporation

Notes to the Consolidated Financial Statements

(Figures to March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 are unaudited.)

14 - PRIOR PERIOD FIGURES

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

15 - FUTURE CHANGES IN ACCOUNTING POLICY

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

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.