

Ranaz Corporation
Interim consolidated financial
statements for the quarter ended
June 30, 2007 and 2006

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Ranaz Corporation
Consolidated Earnings
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	3 471 695	2 555 828	6 384 587	5 365 421
Cost of sales	2 385 968	1 649 515	4 578 942	3 633 246
Gross profit	1 085 727	906 313	1 805 645	1 732 175
Research expenses	61 241	51 818	119 571	109 917
Selling and administrative expenses	1 995 192	727 077	3 375 631	1 417 207
Stock-based compensation expense	82 892		151 007	
Interest expenses	10 708	19 192	20 849	35 625
Amortization	60 237	71 807	107 743	113 303
Gain on sale of asset	(20 000)		(40 000)	
Exchange loss	45 376	84 903	48 614	97 546
	2 235 646	954 797	3 783 415	1 773 598
Loss before income taxes	(1 149 919)	(48 484)	(1 977 770)	(41 423)
Income taxes				
Current		73 866		83 872
Future		(46 923)		(42 335)
	—	26 943	—	41 537
Net loss	(1 149 919)	(75 427)	(1 977 770)	(82 960)
Basic and diluted loss per common share	(0,037)	(0,003)	(0,071)	(0,004)
Basic and diluted weighted average number of common shares outstanding	31 043 906	22 072 213	28 033 022	21 041 831

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 June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deficit, beginning of period	2 250 199	1 112 474	1 422 348	1 104 941
Net loss	<u>1 149 919</u>	<u>75 427</u>	<u>1 977 770</u>	<u>82 960</u>
Deficit, end of period	<u><u>3 400 118</u></u>	<u><u>1 187 901</u></u>	<u><u>3 400 118</u></u>	<u><u>1 187 901</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 June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(1 149 919)	(75 427)	(1 977 770)	(82 960)
Non-cash items				
Stock-based compensation expense	82 892		151 007	
Amortization	60 237	71 807	107 743	113 303
Amortization of development costs	24 501		32 668	
Gain on sale of asset	(20 000)		(40 000)	
Future income taxes		26 943		31 531
Changes in working capital items (Note 5)	(412 656)	(620 397)	(1 862 499)	(378 286)
Cash flows from operating expenses	(1 414 945)	(597 074)	(3 588 851)	(316 412)
INVESTING ACTIVITIES				
Advances to private companies	31 307	335 270	99 318	4 299
Property, plant and equipment	(158 615)	(15 765)	(426 538)	(37 865)
Disposal of property, plant and equipment	20 000		40 000	
Client listing		(347 650)		(347 650)
Cash flows from investing activities	(107 308)	(28 145)	(287 220)	(381 216)
FINANCING ACTIVITIES				
Bank loan		(145 000)	(690 000)	25 000
Long-term debt	93 947		93 947	
Repayment of debt	(35 993)	(44 512)	(59 800)	(59 984)
Balance of sale		(54 135)		(54 135)
Issue of common shares	185 878	927 664	983 492	927 664
Cash flows from financing activities	243 832	684 017	327 639	838 545
Net increase (decrease) in cash	(1 278 421)	58 798	(3 548 432)	140 917
Cash (bank overdraft), beginning of period	1 265 127	28 338	3 535 138	(53 781)
Cash (bank overdraft), end of period	(13 294)	87 136	(13 294)	87 136

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

Ranaz Corporation

Consolidated Balance Sheets

	Unaudited 2007-06-30	Audited 2006-12-31
	\$	\$
ASSETS		
Current assets		
Cash		2 344 298
Cash in trust		1 190 840
Accounts receivable	1 753 295	835 544
Advances to private companies	36 153	118 107
Inventories	3 167 777	1 545 892
Prepaid expenses and deferred charges	448 301	37 371
	<u>5 405 526</u>	<u>6 072 052</u>
Long-term advances to private companies	46 387	63 751
Property, plant and equipment	890 192	535 687
Goodwill	61 919	61 919
Intangible assets (Note 6)	258 434	294 144
Development costs	65 332	98 000
	<u>6 727 790</u>	<u>7 125 553</u>
LIABILITIES		
Current liabilities		
Bank overdraft	13 294	
Bank loan		690 000
Accounts payable and accrued liabilities	2 774 709	1 686 642
Instalments on long-term debt	116 459	118 335
	<u>2 904 462</u>	<u>2 494 977</u>
Long-term debt	291 953	255 930
	<u>3 196 415</u>	<u>2 750 907</u>
SHAREHOLDERS' EQUITY		
Capital stock and warrants (Note 8)	6 780 486	5 796 994
Contributed surplus	151 007	
Deficit	(3 400 118)	(1 422 348)
	<u>3 531 375</u>	<u>4 374 646</u>
	<u>6 727 790</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,

Director

Director

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 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 consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the accounting policies used for audited annual consolidated 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 consolidated financial statements.

3 - CHANGES IN ACCOUNTING POLICIES

Financial instruments

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 GAAP.

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.

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 2007 and 2006 is unaudited)

3 - CHANGES IN ACCOUNTING POLICIES (continued)

The Company has classified its cash and cash in trust as held for trading. The accounts receivable and the advances to private companies were classified as loans and receivables. the bank loan, the accounts payables and accrued liabilities and the long-term debt were classified as other financial liabilities. The adoption of these sections do not have impact on the consolidated financial statements.

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

Accounting changes (Note 10)

On January 1, 2007, in accordance with applicable transitional provisions, the Company adopted the new recommendations of CICA Handbook, Section 1506 - *Accounting changes* . This section establishes the criteria for changing accounting policies together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

4 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest on bank loan	5 982	8 015	10 591	14 092
Interest on long-term debt	4 726	11 177	10 258	21 533
Amortization of property, plant and equipment	42 382	41 350	72 033	81 360
Amortization of deferred charges		1 014		2 028
Amortization of trademark	472	472	944	944
Amortization of client listing	17 383	28 971	34 766	28 971
Research expenses	93 241	67 762	183 571	142 790
Investment tax credits recorded in earnings	32 000	15 944	64 000	32 873
Sales to a company controlled by a director's close relative (a)	102 874	123 699	200 366	203 814

(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.

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Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 2007 and 2006 is unaudited)

5 - INFORMATION ON CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accounts receivable	35 463	477 727	(917 751)	(129 785)
Income taxes receivable		10 013		23 729
Inventories	(251 170)	(61 253)	(1 621 885)	(546 576)
Prepaid expenses	(333 575)	(36 440)	(410 930)	(47 860)
Accounts payable and accrued liabilities	136 626	(991 912)	1 088 067	322 206
Income taxes payable		(18 532)		
	<u>(412 656)</u>	<u>(620 397)</u>	<u>(1 862 499)</u>	<u>(378 286)</u>

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

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest paid	10 708	19 192	20 849	35 625
Income taxes received	—	—	—	13 723

6 - INTANGIBLE ASSETS

	Unaudited 2007-06-30	Audited 2006-12-31
	\$	\$
Trademark, for \$18,876 net of an accumulated amortization of \$9,591 (\$8,647 in 2006)	9 285	10 229
Client listing, at a cost of \$347,650 net of an accumulated amortization of \$98,501 (\$63,735 in 2006)	249 149	283 915
	<u>258 434</u>	<u>294 144</u>

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Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 2007 and 2006 is unaudited)

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 June 30,		Six months ended June 30,	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at the beginning	2 114 884	0,73 \$	619 884	0,37 \$
Options granted	–	–	1 495 000	0,88 \$
Options exercised	–	–	–	–
Options cancelled	60 000	1,00 \$	60 000	1,00 \$
Balance at end	2 054 884	0,72 \$	2 054 884	0,72 \$
Exercisable options at the end	–	–	–	–

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 2007 and 2006 is unaudited)

7 - STOCK-BASED COMPENSATION (Continued)

Stock options granted on June 30, 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	4,50 years	0,35 \$		
0,60 \$	45 000	4,50 years	0,60 \$		
0,70 \$	685 000	4,50 years	0,70 \$		
0,95 \$	650 000	4,58 years	0,95 \$		
1,55 \$	100 000	4,67 years	1,55 \$		
Outstanding, end of period	<u>2 054 884</u>	<u>4,53 years</u>	<u>0,72 \$</u>	<u>—</u>	<u>—</u>
Weighted average fair value of options granted during the six months period ended June 30, 2007				<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:

	<u>2007</u>
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 \$82,892 and of \$151,007 have been recognized in the consolidated earnings for each of the three and six months periods ended June 30, 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.

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 2007 and 2006 is unaudited)

8 - CAPITAL STOCK AND WARRANTS (continued)

	Unaudited 2007-06-30	Audited 2006-12-31
Issued and fully paid	\$	\$
31,230,264 common shares (19,999,999 in 2006)	5 940 972	3 732 096
4,830,450 warrants (4,761,904 in 2006)	839 514	832 714
9,523,811 class "A" preferred shares		1 153 251
333,333 warrants to broker		78 933
	<u>6 780 486</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 on 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 \$200,000 and the issued 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 on common share at an exercise price of \$0.60 until December 29, 2008.

During the second quarter of 2007, 309,805 warrants were exercised for a consideration of \$185,878 in cash and for the first half of 2007, 523,121 warrants were exercised for a consideration of \$313,868.

Warrants

As at June 30, 2007, the number of outstanding warrants exercisable into common shares is as follows:

<u>Expiration date</u>	<u>Exercise price</u>	<u>Number issued</u>	<u>Number exercisable</u>
April 26, 2008	\$0,35	1 428 571	1 428 571
December 29, 2008	\$0,60	3 500 000	2 976 879
January 26, 2009	\$0,70	425 000	425 000
			<u>4 830 450</u>

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 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 June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenue by geographic location according to client's location				
Canada	1 906 395	1 370 471	3 383 886	2 919 862
United States	911 963	529 241	1 731 645	1 055 703
France	411 645	502 601	774 053	994 028
Other	241 692	153 515	495 003	395 828
	<u>3 471 695</u>	<u>2 555 828</u>	<u>6 384 587</u>	<u>5 365 421</u>
			Unaudited 2007-06-30	Audited 2006-12-31
			\$	\$
Property, plant and equipment by geographic location				
Canada			<u>890 192</u>	<u>535 687</u>
Goodwill by geographic location				
Canada			<u>61 919</u>	<u>61 919</u>

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at June 30, 2007 and for the three and six months periods ended June 30, 2007 and 2006 is unaudited)

10 - EFFECT OF NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED

In December 2006, the CICA issued the following new recommendations which apply to fiscal years beginning on or after October 1, 2007. During the next quarters, the Company will evaluate the impact of the adoption of these new sections on its consolidated financial statements.

Financial instruments - Disclosures

Section 3862, *Financial Instruments - Disclosures* describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments - Recognition and Measurement*

Financial instruments - Presentation

Section 3863, *Financial Instruments - Presentation* establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of Section 3861, *Financial Instruments - Disclosure and Presentation*.

Capital disclosures

Section 1535, *Capital disclosures* establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.