

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

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Ranaz Corporation
Consolidated Earnings
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	3 381 452	2 091 010	9 766 039	7 456 431
Cost of sales	<u>2 364 283</u>	<u>1 505 408</u>	<u>6 943 225</u>	<u>5 138 654</u>
Gross profit	<u>1 017 169</u>	<u>585 602</u>	<u>2 822 814</u>	<u>2 317 777</u>
Research expenses	60 878	57 589	180 449	167 506
Selling and administrative expenses	1 439 905	569 510	4 815 536	1 986 717
Stock-based compensation expense	82 059		233 066	
Interest expense	20 529	17 377	41 378	53 002
Amortization	69 178	57 222	176 921	170 525
Gain on sale of asset			(40 000)	
Gain on settlement of balance of sale		(219 973)		(219 973)
Exchange loss	<u>15 926</u>	<u>25 260</u>	<u>64 540</u>	<u>122 806</u>
	1 688 475	506 985	5 471 890	2 280 583
Earnings (loss) before income taxes	<u>(671 306)</u>	<u>78 617</u>	<u>(2 649 076)</u>	<u>37 194</u>
Income taxes				
Current				10 006
Future		(28 406)		3 125
	<u>—</u>	<u>(28 406)</u>	<u>—</u>	<u>13 131</u>
Net earnings (loss)	<u>(671 306)</u>	<u>107 023</u>	<u>(2 649 076)</u>	<u>24 063</u>
Basic and diluted earnings (loss) per common share	<u>(0,021)</u>	<u>0,005</u>	<u>(0,09)</u>	<u>0,001</u>
Basic and diluted weighted average number of common shares outstanding	<u>31 873 504</u>	<u>22 857 143</u>	<u>29 327 250</u>	<u>21 653 585</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 September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deficit, beginning of period	3 400 118	1 187 901	1 422 348	1 104 941
Net loss (earnings)	<u>671 306</u>	<u>(107 023)</u>	<u>2 649 076</u>	<u>(24 063)</u>
Deficit, end of period	<u><u>4 071 424</u></u>	<u><u>1 080 878</u></u>	<u><u>4 071 424</u></u>	<u><u>1 080 878</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 September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(671 306)	107 023	(2 649 076)	24 063
Non-cash items				
Stock-based compensation expense	82 059		233 066	
Amortization	69 178	57 222	176 921	170 525
Amortization of development costs	24 501		57 169	
Gain on sale of asset			(40 000)	
Gain on settlement of balance of sale		(219 973)		(219 973)
Future income taxes		(28 406)		3 125
Changes in working capital items (Note 5)	(356 456)	385 389	(2 218 955)	36 308
Cash flows from operating expenses	(852 024)	301 255	(4 440 875)	14 048
INVESTING ACTIVITIES				
Advances to private companies	4 643	4 915	103 961	10 909
Advances to shareholders		3 278		(27 622)
Property, plant and equipment	(608 638)	(30 506)	(1 035 176)	(68 371)
Disposal of property, plant and equipment			40 000	
Client listing				(347 650)
Cash flows from investing activities	(603 995)	(22 313)	(891 215)	(432 734)
FINANCING ACTIVITIES				
Bank loan		(25 000)	(690 000)	
Demand loan	40 069	(200 000)		(200 000)
Long-term debt	(22 868)		134 016	
Repayment of debt		(29 580)	(82 668)	(89 564)
Balance of sale				(54 135)
Issue of common shares	3 202 610		4 186 102	927 664
Cash flows from financing activities	3 219 811	(254 580)	3 547 450	583 965
Net increase (decrease) in cash	1 763 792	24 362	(1 784 640)	165 279
Cash (bank overdraft), beginning of period	(13 294)	87 136	3 535 138	(53 781)
Cash, end of period	1 750 498	111 498	1 750 498	111 498

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

Ranaz Corporation

Consolidated Balance Sheets

	Unaudited 2007-09-30	Audited 2006-12-31
	\$	\$
ASSETS		
Current assets		
Cash	1 750 498	2 344 298
Cash in trust		1 190 840
Accounts receivable	1 664 122	835 544
Advances to private companies	35 624	118 107
Inventories	3 692 822	1 545 892
Prepaid expenses	187 790	37 371
	<u>7 330 856</u>	<u>6 072 052</u>
Long-term advances to private companies	42 273	63 751
Property, plant and equipment	1 447 507	535 687
Goodwill	61 919	61 919
Intangible assets (Note 6)	240 579	294 144
Development costs	40 831	98 000
	<u>9 163 965</u>	<u>7 125 553</u>
LIABILITIES		
Current liabilities		
Bank loan		690 000
Accounts payable and accrued liabilities	2 593 614	1 686 642
Instalments on long-term debt	116 459	118 335
	<u>2 710 073</u>	<u>2 494 977</u>
Long-term debt	309 154	255 930
	<u>3 019 227</u>	<u>2 750 907</u>
SHAREHOLDERS' EQUITY		
Capital stock and warrants (Note 8)	9 983 096	5 796 994
Contributed surplus	233 066	
Deficit	<u>(4 071 424)</u>	<u>(1 422 348)</u>
	<u>6 144 738</u>	<u>4 374 646</u>
	<u>9 163 965</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) Martin Vidal
Director

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at September 30, 2007 and for the three and nine months periods ended September 30, 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 September 30, 2007 and for the three and nine months periods ended September 30, 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 administrative expenses.

Accounting changes (Note 11)

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		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest on bank loan	16 252	8 667	26 843	22 759
Interest on long-term debt	4 277	8 710	14 535	30 243
Amortization of property, plant and equipment	51 323	38 354	123 356	119 714
Amortization of deferred charges		1 014		3 042
Amortization of trademark	472	472	1 416	1 416
Amortization of client listing	17 383	17 382	52 149	46 353
Research expenses	82 724	85 504	266 295	228 294
Federal government subsidy		11 250		33 750
Investment tax credits recorded in earnings	21 846	27 915	85 846	60 788
Sales to a company controlled by a director's close relative (a)	76 763	89 998	277 129	277 129

(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.

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

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

5 - INFORMATION ON CONSOLIDATED CASH FLOWS

The changes in working capital items are detailed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accounts receivable	89 173	331 400	(828 578)	230 821
Income taxes receivable				13 716
Inventories	(525 045)	8 082	(2 146 930)	(538 494)
Prepaid expenses	260 511	19 487	(150 419)	(28 374)
Accounts payable and accrued liabilities	(181 095)	26 643	906 972	348 849
Income taxes payable		(223)		9 790
	<u>(356 456)</u>	<u>385 389</u>	<u>(2 218 955)</u>	<u>36 308</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest paid	20 529	17 377	41 378	53 002
Income taxes received	–	223	–	(13 500)

6 - INTANGIBLE ASSETS

	Unaudited 2007-09-30	Audited 2006-12-31
	\$	\$
Trademark, for \$18,876 net of an accumulated amortization of \$10,063 (\$8,647 in 2006)	8 813	10 229
Client listing, at a cost of \$347,650 net of an accumulated amortization of \$115,884 (\$63,735 in 2006)	231 766	283 915
	<u>240 579</u>	<u>294 144</u>

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

(Information as at September 30, 2007 and for the three and nine months periods ended September 30, 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 September 30, 2007		Nine months ended September 30, 2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at the beginning	2 054 884	0,72 \$	619 884	0,37 \$
Options granted	–	–	1 495 000	0,88 \$
Options exercised	–	–	–	–
Options cancelled	–	–	60 000	1,00 \$
Balance at end	<u>2 054 884</u>	<u>0,72 \$</u>	<u>2 054 884</u>	<u>0,72 \$</u>
Exercisable options at the end	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

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

7 - STOCK-BASED COMPENSATION (Continued)

Stock options granted on September 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	4,25 ans	0,35 \$		
0,60 \$	45 000	4,25 ans	0,60 \$		
0,70 \$	685 000	4,25 ans	0,70 \$		
0,95 \$	650 000	4,33 ans	0,95 \$		
1,55 \$	100 000	4,42 ans	1,55 \$		
Outstanding, end of period	<u>2 054 884</u>	<u>4,28 ans</u>	<u>0,72 \$</u>	<u>—</u>	<u>—</u>

Weighted average fair value of options granted during the nine months period ended September 30, 2007

\$ 0,58

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 \$82,059 and of \$233,066 have been recognized in the consolidated earnings for each of the three and nine months periods ended September 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 September 30, 2007 and for the three and nine months periods ended September 30, 2006 is unaudited)

8 - CAPITAL STOCK AND WARRANTS (continued)

	Unaudited 2007-09-30	Audited 2006-12-31
Issued and fully paid	\$	\$
34,324,640 common shares (19,999,999 in 2006)	8 544 748	3 732 096
6,152,224 warrants (4,761,904 in 2006)	1 368 868	832 714
9,523,811 class "A" preferred shares		1 153 251
117,764 warrants to broker in 2007	69 480	
333,333 warrants to broker in 2006		78 933
	<u>9 983 096</u>	<u>5 796 994</u>

Issue of securities

On September 26, 2007, the Company complete a public offering of 2,944,100 unites at a price of \$1,30 per unit for a total of \$3,287,330. Each unit consists of one common share and one-half of a warrant of the Corporation. Each whole warrant entitles its holder, upon payment of an exercice price of \$1,65, to acquire one common share until September 26, 2009. Share issue expenses relating to the offering total \$714,886 in cash and 117,764 warrants with a value of \$69,480 issued to the broker for the purchase of units. The broker warrants are exercisable for a period of 24 months after September 26, 2007. The share issue expenses were applied against capital stock.

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 exerciced 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 third quarter of 2007, 150,276 warrants were exercised for a consideration of \$90,166 in cash and for the first nine months of 2007, 673,397 warrants were exercised for a consideration of \$404,034.

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

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

8 - CAPITAL STOCK AND WARRANTS (continued)

Warrants

As at September 30, 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	2 826 603
January 26, 2009	\$0,70	425 000	425 000
September 27, 2009	\$1,65	1 472 050	1 472 050
			6 152 224

The 117,764 broker warrants to purchase 117,764 units at a price of \$1,30 per unit are also outstanding as at September 30, 2007. These warrants expire on September 27, 2009 and are all exercisable.

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

	2007-01-25 warrants	2007-09-26 warrants	Broker warrants
Risk free interest rate	4,12%	4,22%	4,22%
Volatility	80,00%	80,00%	80,00%
Dividend	—	—	—
Estimated term	2 years	2 years	2 years

Loss per share

As a result of the loss in the periods ended September 30, 2007, 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.

The warrants have not been included in the calculation of the diluted loss per share, since inclusion of such securities would be anti-dilutive.

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

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

9 - SEGMENTED INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenue by geographic location according to client's location				
Canada	1 609 310	1 110 240	4 993 196	4 030 102
United States	829 578	581 580	2 561 224	1 637 283
France	675 492	266 809	1 449 545	1 260 837
Other	267 072	132 381	762 074	528 209
	<u>3 381 452</u>	<u>2 091 010</u>	<u>9 766 039</u>	<u>7 456 431</u>
			Unaudited <u>2007-09-30</u>	Audited <u>2006-12-31</u>
			\$	\$
Property, plant and equipment by geographic location				
Canada			<u>1 447 507</u>	<u>535 687</u>
Goodwill by geographic location				
Canada			<u>61 919</u>	<u>61 919</u>

10 - SUBSEQUENTS EVENTS

On October 1st, 2007, the Company complete a non-brokered private placement of 927,464 units at the same price (\$1.30 per unit) and the same terms as the public offering completed on September 26, 2007. The private placement was completed with five purchasers residing in the United States for a gross proceeds of \$1,205,705.

Each unit consists of one common share and one-half of a warrant of the Company. Each whole warrant entitles its holder, upon payment of an exercise price of \$1,65, to acquire one common share within the 24-month period following the closing of the private placement.

Ranaz Corporation

Notes to Interim Consolidated Financial Statements

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

11 - 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.