**LES EXPLOSIFS NORDEX LTEE/NORDEX EXPLOSIVES LTD.**

**ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS**
**of Financial Condition and Results of Operations**
**for the twelve months ended December 31, 2006**

**Dated: April 16, 2007**

*The following information should be read in conjunction with the Corporation's audited December 31, 2006, 2005 and 2004 financial statements and related notes included therein which were prepared in accordance with generally accepted accounting principles in Canada. This discussion includes forward-looking statements that may differ materially from actual results achieved.*

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD. ("Nordex" or the "Corporation") is a Canadian based business incorporated under the laws of the Province of Quebec on August 4, 1970. Nordex trades on the TSX Venture Exchange under the symbol "NXX". The Corporation manufactures and distributes explosives for the mining, quarry and road construction industries. Its manufacturing operations and distribution centre is strategically located in one of the world's largest mining regions near Kirkland Lake, Ontario. The Corporation continues to maintain its manufacturing explosives licence in good standing and is researching the possibility of expanding production and offering new explosive products and services for the mining, quarry and road construction industries.

The results for the fiscal year ending December 31, 2006, reflect operations of the Corporation for the twelve month period commencing January 1, 2006. Comparative financial results are for the fiscal year commencing January 1, 2005 and ending on December 31, 2005.

Management discussion and analysis is a review of the Corporation's financial condition and results of operation as compared to the corresponding prior year end. This discussion is intended to provide historical and prospective analysis of the activities of the Corporation.

All financial data contained in this Management Discussion and Analysis has been prepared in accordance with Canadian generally accepted accounting principles. With respect to foreign currency, all monetary assets and liabilities have been translated at the year-end exchange rate. Gains and Losses from translating monetary assets and liabilities are recognized through the statement of earnings and retained earnings in the Corporation's financial statements. Transactions in foreign currencies are translated into Canadian Dollars at the appropriate rate prevailing at the time of the transactions. Foreign exchange gains and losses are included in income for the year.

## OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

### Financial Highlights

Revenue, gross margin, net profit, profit margins and earnings per share have all increased in 2006. Financially, the Corporation continues to strengthen its balance sheet and is in its healthiest position in over a decade. The Debt to Equity ratio improved dramatically and reduced to 1.5 from 2.3. The Working Capital (or Current) Ratio improved to 1.2 at year ending December 31, 2006 compared to 1.1 at year ending December 31, 2005. The Quick Ratio (or Acid Test) also increased in 2006 to 1.0 from 0.9 over the previous year.

The following table sets forth certain financial information of the Corporation for the fiscal years ending December 31, 2006, 2005 and 2004.

| Twelve Months ended December 31 | 2006 | 2005 | 2004 |
|---|---|---|---|
| Total Revenues | $4,857,953 | $3,674,883 | $2,409,481 |
| Cost of Goods Sold | $3,610,281 | $2,816,898 | $2,012,251 |
| Gross Profit | $1,247,672 | $857,985 | $ 397,230 |
| Gross Margin | 25.7% | 23.3% | 16.5% |
| Selling, Admin and Marketing Expense | $833,414 | $535,590 | $ 493,350 |
| Income (loss) before Interest, Taxes, Depreciation and Amortization | $414,258 | $322,395 | $(96,120) |
| Amortization Expenses | $69,047 | $46,460 | $33,690 |
| Interest on long term debt | $35,990 | $43,365 | $21,050 |
| Net Income (loss) for the Period | $309,221 | $232,570 | $(150,860) |
| Profit Margin | 6.4% | 6.3% | (6.3)% |
| Earnings (loss) per Share | $0.055 | $0.040 | $(0.029) |
| | | | |
| Cash Provided By (Used In) Operations | $10,287 | $435,841 | $(36,244) |
| | | | |
| Cash End of Period | $57,559 | $365,040 | $194,020 |
| Accounts Receivable | $1,027,908 | $625,579 | $706,109 |
| Total Assets | $2,443,134 | $2,079,720 | $1,824,318 |
| Accounts Payable & Accrued Liabilities | $1,118,050 | $1,046,123 | $990,880 |
| Long Term Debt | $314,513 | $365,288 | $408,457 |
| Total Liabilities | $1,474,769 | $1,454,580 | $1,438,601 |
| Shareholders' Equity | $968,365 | $625,140 | $385,717 |
| Total Shares Outstanding at Period End | 5,626, 000(1) | 5,451,000(2) | 6,039,777 |

Note: (1) During the fiscal year ending December 31, 2006, 175,000 options to purchase shares were exercised under the company's stock option plan.
(2) During the fiscal year ending December 31, 2005, the corporation cancelled 588,777 common shares held in treasury.

**Dividend Record and Policy**

The Corporation has not recently paid dividends on any shares of the Corporation and may never pay cash dividends.

**Net Income**

For the fiscal year ending December 31, 2006, Nordex recorded a net income of $309,221 compared to a net income of $232,570 for the fiscal year ending December 31, 2005 and a net loss of $150,860 for the fiscal year ending December 31, 2004. Net Income increased significantly as a result of increased revenue and improved gross margins. These are explained further in the next two sections.

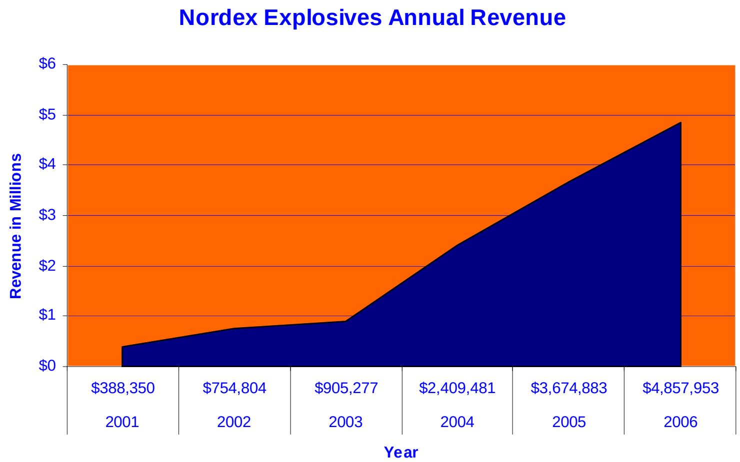
Earnings/(Loss) per common share were $0.055, $0.040 and $(0.029) reflected on the weighted average number of shares outstanding for the fiscal years 2006, 2005 and 2004.

**Revenue**

Revenue increased by 32.2% in 2006 over 2005. For the fiscal year ending December 31, 2006, Nordex reported revenue of $4,857,953 compared to $3,674,883 for the fiscal year ending December 31, 2005 and to $2,409,481 for the fiscal year ending December 31, 2004.

In 2006, Nordex benefited from the industry surge in mining operations. In order of significance, revenue increased as a result of (1) increased sales from its three largest mining clients, (2) sales to a new mining client starting in the third quarter of 2006, and (3) a price increase for all products that was implemented in April 2007.

The chart below shows annual revenues of Nordex Explosives from 2001 through 2006. 2001 marked the first full year after a change of control of the board of directors in 2000 and 2001. Sales have increased every year subsequent to 2001 through 2006. 2004 marked the first year that the company was managed by the current VP Operations and President and sales have increased dramatically over this period.




Management anticipates continued growth in revenues in the fiscal year ending December 31, 2007.

**Cost of Good Sold**

Cost of Goods Sold were $3,610,281 for the fiscal year ending December 31, 2006 compared to $2,816,898 for the fiscal year ending December 31, 2005 and $2,012,251 for the fiscal year ending December 31, 2004. Gross margin for the year increased to 25.7% compared to 23.3% for 2005 and compared to 16.5% for 2004.

Gross margin increased in 2006 primarily as a result of lower material costs as a percentage of sales. Material costs reduced to 61.4% of product sales (excludes freight and other revenue) in 2006 compared to 64.4% in 2005. The decrease in material costs as a percentage of sales more than offset freight costs which increased at a greater percent than sales as a result of allocating expenses associated with the Corporation's vehicles used for deliveries to Cost of Sales in 2006 rather than treating these expenses as a vehicle cost under Administrative Expenses which was the treatment in 2005.

**Selling, General and Administrative**

Selling, general and administrative expenses include marketing, customer support, financing, interest, executive personnel, professional services, office and occupancy costs required to manage the corporation. They do not include depreciation and amortization. Selling, general and administrative expenses for 2006 were $833,414 compared to $535,590 in 2005 and compared to $493,350 for 2004.

Insurance increased dramatically during the year from $65,557 in 2005 to $112,599 in 2006. This increase resulted from (1) general increases to insurance rates, (2) an increase in the number of trucks and trailers covered for the entire year, and (3) an increase in the maximum liability coverage for the company

Wages and benefits increased to $295,946 in 2006 compared to $128,444 in 2005 and $110,125 in 2004. The increase is primarily due to profit sharing as a result of the Corporation exceeding targeted profit thresholds under its Profit Sharing Plan. Consulting and management fees expenses in 2006 increased to $105,084 from $87,540 in 2005 as a result of the increased use of an outside consultant for technical services and support.

Profit Sharing Plan, Management Fees & Compensation and Miscellaneous Expenses are outlined in the following three sections.

**Profit Sharing Plan**

During the fiscal year ending December 31, 2005, the Board of Directors approved a Profit Sharing Plan (the "PSP") for the employees, management and directors of the Corporation. In 2004 and 2005, the management of Nordex Explosives was paid substantially under market based on their backgrounds, their performance and industry norms. When the PSP was implemented, the objective of the Directors of the company was to (1) establish an equitable incentive plan to retain and motivate management and (2) at the same time ensure that shareholders were rewarded before any payments to management. Due to the economic condition of the company; wages at industry norms could not be offered to management. Therefore the Directors felt that compensation tied to the performance of the Corporation would benefit both the shareholders and management.

The PSP was implemented during the fiscal years ending December 31, 2005, 2006 and 2007 only. Under the terms of the PSP, no amounts shall be paid out of the PSP to any individuals for net income before tax up to $163,530 in each of the 2006 and 2007 fiscal year. No amounts were paid out of the PSP for the fiscal year 2005.

The Corporation's PSP has been reviewed by and approved by the TSX Venture Exchange.

In 2006 and 2007 certain individuals/groups will receive a portion of the net income in excess of $163,530 and before PSP payments/accruals as follows:

| | |
|---|---|
| VP Operations | 20.00% of the amount in excess of $163,500 |
| President | 13.33% of the amount in excess of $163,500 |
| Chairman | 6.67% of the amount in excess of $163,500 |
| Employees | 5.00% of the amount in excess of $163,500 shared between all employees excluding VP Operations, President and Chairman |
| Directors | 5.00% of the amount in excess of $163,500 shared between all directors |

PSP payments were accrued during the fiscal year 2006 as profits for the year exceed the threshold of $163,500. A total of $145,691 was earned in the year under the Profit Sharing Plan which is broken down below.

| | |
|---|---|
| VP Operations | $58,276 |
| President | $38,851 |
| Chairman | $19,425 |
| Employees | $14,569 shared between all employees excluding VP Operations, President and Chairman |
| Directors | $14,569 shared between all directors including the President and Chairman |

Under the terms of the PSP, payments earned under the PSP shall not exceed a total of $400,000 for all categories for the fiscal 2007 year.

**Management Fees & Compensation**

Over the last several years, Nordex's senior management had agreed not to take all or a large portion of their salaries and management fees. In lieu of salary, the company agreed to accrue management fees for the senior management that would be paid out only at a time that would not cause undue financial hardship to the Corporation.

In 2006, the Corporation accrued management fees for the President and Chairman and in 2005 the Corporation accrued management fees for the VP Operations, President and Chairman. Total management fees accrued in 2006 were reduced to $60,000 from $78,000 in 2005. This reduction resulted the VP Operations salary increasing by $18,000 and his management fee accrual reducing by $18,000.

With the significant improvement in the Corporation's financial health, the directors have determined that beginning in 2007 it is no longer necessary for senior management to defer their salaries and accrue management fees.

**Miscellaneous Expenses**

Miscellaneous Expenses are a component of Selling, General and Administrative Expenses. Miscellaneous Expenses include property expense; vehicle expense; travel expenses; professional fees; training costs; licenses; and expenses related to maintaining a public listing on the TSX Venture Exchange. Miscellaneous Expenses increased to $290,396 for the fiscal year ending December 31, 2006 compared to $225,130 for the fiscal year ending December 31, 2005 representing a year over year increase of $65,266. An increase of $60,369 resulted from three accounts alone as per the following table.

| **Account** | **2006** | **2005** | **2006 Increase** |
|---|---:|---:|---:|
| Vehicle Expense | $22,535 | $72,850 | -$50,315 |
| Professional Fees | $72,996 | $29,063 | $43,933 |
| Travel | $29,546 | $16,528 | $13,018 |
| Bank Charges | $12,061 | $434 | $11,627 |
| Directors Meeting | $11,400 | $0 | $11,400 |
| Plant Expense | $29,929 | $20,658 | $9,271 |
| Advertising & Promotion | $20,236 | $8,240 | $7,686 |
| Licenses & Permits | $10,507 | $3,207 | $7,299 |
| Office Expense | $16,235 | $9,070 | $7,166 |
| Training & Courses | $3,643 | $725 | $2,918 |
| Public Company Related Expenses | $23,672 | $24,094 | -$422 |
| Rent | $12,170 | $13,000 | -$830 |
| Other | $23,460 | $25,256 | -$1,796 |
| **Total** | **$290,396** | **$225,130** | **$60,954** |

The vehicle expense component under Selling, General and Administrative Expenses reduced significantly due to a change in the treatment of this expense in 2006 compared to 2005. In the past, Nordex's vehicles were used primarily for support purposes at the plant, for sales support and for customer support. Costs associated with all Nordex vehicles' were allocated to vehicle expenses under Selling, General and Administrative Expenses through 2005. Also in the past, shipping of raw materials and finished product was done primarily by third party carriers. The cost of third party carriers for this purpose was allocated to freight expenses under Cost of Sales. By December 31, 2005, the Corporation had evolved to the point where almost all of the shipping of raw materials and the shipping of all finished product was being done with its own vehicles. As a result, beginning in the first quarter 2006, the Corporation began to allocate costs associated with its vehicles used for the shipping raw materials and product to freight expenses under Cost of Sales. This change in treatment for the vehicle expenses from out of Selling, General and Administrative Expenses accounts for the reduction to $22,535 in 2006 from $72,850 in 2005. The reduction of the vehicle expense was offset by the freight expense under Cost of Sales. This freight expense under Cost of Sales increased in 2006 to $221,687 from $155,058 in 2005 in large part due to the new treatment of these costs and also because of increased trade.

Professional fees also increased primarily due to increased legal expenses resulting from three items. Firstly, as a result of a claim against the Corporation from a previous supplier and the related counter claim by the Corporation. The claim was settled during the year with the settlement amount being slightly favourable to the Corporation. Secondly, legal fees increased as a result of increased costs related to this year's Special and Annual General Meeting held on May 19, 2006. Thirdly, there were increased legal costs resulting from a review by the TSX Venture Compliance and Disclosure group which occurred over most of the year.

Travel related expenses increased as a result of increased selling activity and meetings with existing and potential suppliers.

Bank charges increased as a result of administration fees associated with attempts to secure an operating line and refinance its long term debt.

2006 marked the first year that the directors of the Corporation received an attendance fee for board meetings. During the year a total of $11,400 was paid or accrued amongst the five directors for their participation in board meetings held during the year.

Licenses and permits expenses increased due to increased costs associated with the licensing of the expanded fleet of trucks.

**Inventories**

Inventories were $313,940 on December 31, 2006 compared to $270,590 at the fiscal year ending December 31, 2005 and $279,798 at the fiscal year ending December 31, 2004. Inventory levels have consistently ranged between $225,000 and $350,000 over the last two years depending on timing of shipments of raw materials and finished product. Management expects this range to increase between $50,000 and $100,000 in 2007 as a result of increased sales levels and changes in payment terms with significant suppliers.

**Property, Plant and Equipment**

The total book value of Property, Plant and Equipment at fiscal year ending December 31, 2006 was $1,043,718 compared to $829,511 and $626,912 at fiscal years ending December 31, 2005 and 2004.

Approximately $200,000 (excluding amortization costs) was expended on the asset category of "Buildings". The majority of this amount was invested in upgrades to existing storage magazines and in purchasing additional storage magazines. The storage magazines are classified under Buildings in the notes of the audited Financial Statements.

The company continues to assess the economics of expanding its ability to manufacture and package emulsion explosives. The benefits and risks of a plant expansion are being weighed against opportunities to distribute third party product. Feasibility analysis is underway regarding an expansion but there are not definitive plans to develop any new production lines or plants at this time.

**Provision for Income Taxes**

As of December 31, 2006, the corporation has available non-capital loss carry-forwards for tax purposes in the amount of $280,550 which may be used to reduce taxable income of future years, as set out in the notes to the financial statements. These carry forwards expire as set out in the notes of the audited financial statements for 2006. Realization of the potential benefits of these losses is dependent upon future profitability. The benefit of these loss carry-forwards and investment tax credits will be recorded when realized.

**Retained Earnings**

Retained Earnings/(Losses) improved to $(394,392) for the fiscal year ending December 31, 2006 reflecting the net profit for the period compared to $(703,613) for the fiscal year ending December 31, 2005 and compared to $(936,183) for the fiscal year ending December 31, 2004.

## LIQUIDITY AND CAPITAL RESOURCES

During the fiscal year ending December 31, 2006, there was a decrease in the Corporation's near-cash position and short-term deposits to $57,559 from $354,040 as of December 31, 2005 and $194,020 as of December 31, 2004. This reduction is primarily a result of increased accounts receivable with a large portion of the increase resulting from one client (see "Ability of Significant Customers to Make Payments").

Accounts payable and accrued liabilities increased slightly to $1,118,050 from $1,046,123 at December 31, 2005. Included in these amounts are accrued liabilities outstanding to directors and management which totalled $112,400 at the end of 2006 compared to $178,500 at the end of 2005.

Long term debt (including current year's portion) was reduced to $356,719 at the end of 2006 from $408,457at the end of 2005. $340,783 of this amount is for a loan obtained from the Kirkland & District Community Development Corporation in 2005. The loan bears interest at the rate of 10% per annum calculated monthly, payable in monthly instalments of $5,318 and is amortized over 120 months. The remainder of the debt is for a vehicle loan of $15,936 at 8% per annum maturing in 2008. Management is aggressively seeking alternative sources of credit in order to obtain more favourable terms for its debt.

In management's opinion, Nordex is well poised to continue its current level of operations in the near term and has adequate means to finance these operations. However, future events currently unknown to the corporation such as a loss of sales, decreases in earnings, decreases in cash flows, market or commodity price changes, economic downturns or defaults in payments by customers, could negatively effect the Corporation's ability to generate sufficient amounts of cash and cash equivalents to continue to finance operations.

In the event that the Corporation wants to expand it manufacturing capabilities, enter into new business lines, acquire a company operating in its similar business lines or enter into an agreement with a third party requiring capital expenditures, the Corporation may be required to raise additional capital. It is expected that any capital raised by the Corporation will be way of an equity financing in the form of a private placement, or by arranging loans or debt financing (see "Subsequent Events").

## SUBSEQUENT EVENTS

### Loans with CIBC and Business Development Bank of Canada

The Corporation is in the process of arranging with the Canadian Imperial Bank of Commerce ("CIBC") a revolving demand credit line for general business purposes in the amount of the lesser of (i) $500,000 and (ii) 75% of Receivable Value (being receivables outstanding less than 90 days) minus any prior ranking claims (the CIBC Credit Line"). The CIBC Credit Line will bear interest at the CIBC Prime Rate plus 0.50%. The CIBC Credit Line will be secured by a general security agreement over the Corporation's assets.

The Corporation is also in the process of arranging with the Business Development Bank of Canada ("BDC") a term loan in the amount of $400,000 (the "BDC Term Loan") and a working capital loan in the amount of $400,000 (the "BDC Working Capital Loan"). The BDC Term Loan and BDC Working Capital Loan will be secured by a general security agreement over the Corporation's assets and mortgages over the Corporation's real property assets. BDC and CIBC have entered into a Priority Agreement granting CIBC a priority over inventory and accounts receivables under their respective general security agreements.

The BDC Term Loan will be used by the Corporation to fully repay the outstanding balance of the Corporation's loan with the Kirkland & District Community Development Corporation ("KDCDC Loan"). As of April 16, 2007, approximately $331,900 was outstanding on the KDCDC Loan, and the balance of the BDC Term Loan will be used by the Corporation for working capital. As of the date hereof, The BDC Term Loan will bear interest at the BDC Fixed Base Rate plus a variance of 1.2% per year on the principal outstanding. Under the terms of the BDC Term Loan, the Corporation may qualify from time to time for reductions of the interest rate, if certain financial criteria are met. The BDC Term Loan will be repayable in monthly installments of interest, following disbursement of the loan, and monthly installments of principal in the amount of $3,850 on August 15, 2007, and thereafter $4,170 commencing September 15, 2007 with the final payment on July 15, 2015.

The BDC Working Capital Loan is for the purpose of replenishing working capital used by the Corporation for capital expenditures. As of the date hereof, the BDC Working Capital Loan will bear interest at the BDC Fixed Base Rate plus a variance of 1.2% per year on the principal outstanding. Under the terms of the BDC Working Capital Loan, the Corporation may qualify from time to time for reductions of the interest rate, if certain financial criteria are met. The BDC Working Capital Loan will be repayable in monthly installments of interest, following disbursement of the loan, and monthly installments of principal in the amount of $2,250 and will be for a term of 15 years. The BDC may cancel any undrawn balance of the loan if the loan has not been fully disbursed by November 24, 2007.

The Corporation believes that the CIBC Credit Line , the BDC Working Capital Loan and the BDC Term Loan will all be finalized and funds will be available to the Corporation under the terms of the loans in the very near future. The Corporation will issue Press Releases upon finalization of the loans, setting forth their specific terms.

**Legal Proceedings**

On January 30, 2007 the Corporation was served with a Motion to Institute Proceedings (the Motion") dated January 29, 2007, brought in the Superior Court District of Montreal by Jacques Levesque, a shareholder of the Company. The Motion seeks an order from the Court to cancel and annul the Corporation's Profit Sharing Plan ("PSP") other than with respect to production employees, and an order that the 5% of benefits contemplated by the PSP for the full time production employees be retained and made available exclusively for the benefit of employees of Nordex who are actively engaged in its business activities on a full time basis. The Corporation has engaged counsel in Quebec to oppose the Motion.

Prior to the institution and receipt by the Corporation of the Motion, at a meeting of the Board of Directors on January 25, 2007, and after consultation with and approval by the TSX Venture Exchange, the Directors approved certain modifications to the PSP for the 2007 fiscal year that limit the total PSP payments to $400,000 for the 2007 fiscal year. The Nordex Explosives Ltd. Amended Profit Sharing Plan ("APSP") is for the fiscal year ending December 31, 2007 only. The APSP replaces the PSP for the fiscal year ending December 31, 2007.

## TRANSACTIONS WITH RELATED PARTIES

During the fiscal year ending December 31, 2006 the Corporation accrued a total of $60,000 (2005 - $60,000) in management fees between its President and Chairman. The Corporation also paid or accrued director fees totaling $11,400 (2005 – Nil) for attendance at board meetings.

## RISK FACTORS

The Corporation's business is subject to many risks and uncertainties which may affect its future performance. The risks and uncertainties described below are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes are immaterial may also materially and adversely impair its business operations. The information below and information contained in publicly available information in respect of the Corporation may contain forward-looking statements that involve risks and uncertainties. All such forward-looking statements are naturally speculative and there are numerous risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

**Reliance on Existing Product in Static Markets**

For the foreseeable future, the majority of the Corporation's revenues will be derived from existing or similar products. Demand for existing products will be affected by a range of factors, many of which are beyond the Corporation's control, including the general level of mining and road construction as well as competition within the explosives industry. No assurance can be given that other companies will not enter the market in which the Corporation competes or that the Corporation will have the resources required to respond to technological changes or to compete successfully in the future.

The loading of bulk emulsions and small diameter packaged emulsions are two products that are used widely in under ground mining and are not manufactured by the Corporation. The Corporation currently distributes small diameter packaged emulsion manufactured by third parties. Currently, the Corporation is capable of supporting some types of loading for bulk emulsions but does not provide up-hole loading of bulk emulsion. The Corporation believes that there is a trend in the underground mining industry to utilize more of bulk emulsion product and is actively pursuing alternatives to expand its support in these areas. The Corporation is continuing to investigate the requirements and cost of manufacturing both of these products internally. The Corporation is at risk of reduced revenue if it is unable to expand its support for these products in the medium to long term.

**Technological Change**

Because of technological changes in the industry, there can be no assurance that the introduction of new products or the development of other technologies by other entities will not render the Corporation's products and processes obsolete or unmarketable. Moreover, increased market penetration and customer acceptance of the Corporation's products will depend upon the Corporation's ability to maintain a technically competent product development, marketing and technical support force and its ability to adapt to technology changes in its industry.

**Dependence on Suppliers and Manufacturers**

The Corporation sources its raw materials from suppliers in North America. The Corporation integrates and/or assembles certain components at its facilities. The Corporation also acts as a distributor for other companies and resells their product. A significant portion of the Corporation’s sales are currently made up by the resale of product from Austin Powder Corp. The ability to replace the product supplied by Austin Powder with similar products from alternate suppliers is a significant risk and failure to do so could have a material adverse effect on the Corporation.

The Corporation purchases a significant amount of ammonium nitrate which is used as input to manufacture various explosive lines. Ammonium nitrate is a bi-product of ammonium and natural gas. Ammonium and natural gas prices have fluctuated significantly over the last two years. There is a risk that the price and quantities of these items will continue to fluctuate. As the supply levels of natural gas reduce (as a result of increased consumption, reduced supply due to natural disasters or terrorist attacks) or ammonium reduce then the availability of ammonium nitrate decreases and the price increases presenting a risk to the Corporation.

As mentioned above, the Corporation is dependant on third party manufacturers to supply it with small diameter packaged explosives.

**Dependence on Significant Customers**

The majority of the Corporation’s sales in 2006 were to its mining clients. Management expects this to be the case for the fiscal year 2007 as well. There can be no assurance that these customers will continue to use the Corporation's products and services. The failure of Nordex’s current customers to continue to utilize the Corporation's products could have a material adverse effect on the Corporation. In addition, customers who account for significant portions of the Corporation's revenues may have the ability to negotiate prices for the Corporation's products that are more favourable and could result in lower profit margins for the Corporation.

In 2006, sales to the Corporation's top three clients comprised 79% of total sales for the year. Management expects the percentage of sales from other than the top three clients to increase in 2007.

**Ability of Significant Customers to Make Payments**

A significant customer of Nordex had a total accounts payable of $489,525 as of December 31, 2006 of which $335,795 was over thirty days. Management has been monitoring this situation diligently and has been working closely with the customer in an attempt to improve the situation and as of April 16, 2007 the customer had a total accounts payable of $416,067 of which $290,851 was over thirty days. The ability of this customer to make their payments or to make their payments on a timely basis represents a significant risk to the Corporation.

**Commodity Prices**

The rate of operations at the Corporation's mining clients is highly dependant on each mine's underlying commodity price. If the price of commodities drops significantly then the rate of mining operations may reduce as well resulting in reduced explosives sales by the Corporation.

**Ability to Manage Growth**

If the Corporation obtains significant orders from large customers, the Corporation will experience rapid growth, which in turn will place significant pressure on the Corporation's managerial, operational and financial condition. The Corporation will also be required to develop and manage multiple relationships with various customers, business partners and other third parties. The Corporation's systems, procedures or controls may not be adequate to support the Corporation's operations and management may not be able to achieve the rapid expansion necessary to exploit potential market opportunities for the Corporation's products and services. The Corporation's future operating results will also depend on its ability to expand its sales and marketing to implement and manage new distribution channels, to penetrate new markets and to expand its support organization.

**Reliance on Management**

The Corporation's business involves a high degree of risk, which even with a combination of experience, knowledge and careful evaluation, it may not be able to overcome. Purchasers of the Corporation's securities must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. An investment in the Corporation's securities is suitable for investors who are willing to rely solely upon the management of the Corporation and who could afford a total loss of their investment.

**Dependence on Key Personnel**

The success of the Corporation is dependent upon, among other things, the services of key personnel. The loss of any of these individuals, for any reason, could have a material adverse effect on the prospects of the Corporation. In addition, the future success of the Corporation will depend in large part on its ability to attract and retain qualified technical, managerial and marketing personnel and there can be no assurance that such personnel can be attracted and retained. Failure to retain or to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Corporation's growth and profitability. The Corporation does not maintain key man insurance for its directors, officers or employees. The contributions of these individuals to the immediate future operations of the Corporation are of central importance. The loss of any one of these individuals could have a material adverse effect of the business of the Corporation. The implementation of the Corporation's Profit Sharing Plan has been and continues to be a significant factor in retaining key personnel.

**Directors and Officers Conflicts**

The Directors and officers of the Corporation will only devote part of their time to the affairs of the Corporation. Certain directors of the Corporation are associated with other businesses. Such associations may give rise to conflicts of interest from time to time.

**Delays in Implementing Business Plan**

The Corporation may experience a delay in developing and marketing its products and services. This may result in a delay in the Corporation generating revenues which in turn may have an adverse effect on the Corporation's ability to pay dividends and the value of the Corporation's securities.

**Additional Financing Requirements**

The Corporation is currently investigating the cost to expand its logistical capabilities, supplier network and manufacturing facilities. The Corporation is constantly assessing business opportunities including new business lines with the objective of increasing sales and profits for the Corporation. The Corporation may require additional financing if it decides to proceed with any of these items.

No assurance can be given that such financing will be available on commercially reasonable terms. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. If additional financing is raised by the issuance of shares issued from the treasury of the Corporation, control of the corporation may change and shareholders may suffer dilution.

**Regulatory Approvals**

The Corporation may be required to obtain the discretionary approval of various securities regulators in the course of carrying on its business. The failure to obtain such approvals may adversely affect the Corporation's conduct of its business. The explosives manufacturing industry is regulated at both the provincial and federal levels. There can be no assurance that the regulatory environment in which the Corporation operates will not change in the future. The laws and regulations of all provinces in which the Corporation intends to operate do impact the Corporation's operations, but do not currently materially restrict the Corporation's operations in those provinces. In connection with its operations in existing markets and expansion into new markets, The Corporation may become subject to additional laws, regulations and interpretations. The ability of The Corporation to operate profitably will depend, in part, upon its ability to operate in compliance with applicable regulations.

**Competition**

The Corporation must compete with a number of other companies which have substantially greater technical, personnel and financial resources, longer operating histories, greater name recognition and larger customer bases. This competition could materially adversely affect the Corporation's business, operating results or financial condition.

The market for the Corporation's products is highly competitive. There can be no assurance that The Corporation will be able to continue to compete successfully with its existing competitors or will be able to compete successfully with new competitors. It will be necessary for The Corporation to develop its technological and personnel resources in order to promote and enhance development of its business. It may be necessary for The Corporation to secure additional financing to support and grow in these areas and there is no assurance The Corporation will be able to raise funds for this purpose.

**Market for Securities**

The Common Shares are listed for trading on the TSX Venture Exchange. However, there is no assurance that an active trading market in the Common Shares will be sustained. Purchasers may not be able to dispose of the Common Shares or Warrants on a timely basis or at all. The market price for the Common Shares could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, activities by competitors of the Corporation, as well as market conditions in the securities industry, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations which have often been unrelated to the operating performance of particular companies.

## OUTSTANDING SHARE DATA

The following table sets forth the capitalization of the Corporation at December 31, 2006.

| Designation of Security | Authorized | Outstanding December 31, 2006 |
|---|---|---|
| Common | 12,000,000 | 5,626,000(1) |

Note: (1) On February 27, 2007, Mr. Taylor, the VP Operations and COO exercised 33,333 options.
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To the best of the knowledge of the directors and senior officers of the Corporation, the following persons beneficially own, directly or indirectly or exercise control or direction over, more than 10% of the issued and outstanding Common Shares of the Corporation:

| Name | Number of Shares Beneficially Owned or Controlled or Directed | Percentage of Outstanding Common Shares |
|---|---|---|
| Elie J. Doumet (Canada) Ltd.<br>Vancouver, British Columbia,<br>Canada | 681,377 | 12.1% |
| Andrew Timothy Peterson<br>Mississauga, Ontario<br>Canada | 1,069,300 | 19.0% |
| Jacques Levesque<br>Point Edward, Ontario,<br>Canada | 1,187,700(1) | 21.1% |

Note: (1) Information with respect to the number of shares beneficially owned or controlled or directed by Mr. Levesque is based on filings made by Mr. Levesque on SEDI (the System for Electronic Disclosure by Insiders) and reflects the "Closing Balance" as shown on SEDI of 1,187,700 shares as of April 16, 2007. On October 17, 2006, the Corporation was advised by Mr. Levesque that he had acquired 10,000 shares on June 24, 2006; however there is no report of a transaction by Mr. Levesque on that date filed on SEDI as of April 16, 2007. Accordingly, the actual number of shares beneficially owned or controlled or directed by Mr. Levesque as stated in the above table may not be accurate.

## Summary of Quarterly Results

The following table summarizes information pertaining to the operations of the Corporation on a quarterly basis for the eight quarters ending December 31, 2006.

| Quarter Ended | Revenue | Income (Loss) | Income (Loss) Per Share | Total Assets | Total Long Term Financial Liabilities |
|---|---|---|---|---|---|
| **2006** | | | | | |
| December 31 | $1,345,778 | $92,216 | $0.015 | $2,443,134 | $356,719 |
| September 30 | $1,166,844 | $67,403 | $0.012 | $2,498,530 | $376,490 |
| June 30 | $1,002,570 | $48,079 | $0.009 | $2,232,457 | $387,335 |
| March 31 | $1,342,761 | $102,088 | $0.019 | $2,310,474 | $397,924 |
| **2005** | | | | | |
| December 31 | $1,048,127 | $106,707 | $0.019 | $2,079,720 | $408,457 |
| September 30 | $979,109 | $48,284 | $0.009 | $1,999,120 | $418,650 |
| June 30 | $803,748 | $46,478 | $0.008 | $1,726,758 | $428,337 |
| March 31 | $843,899 | $31,101 | $0.005 | $1,625,922 | $438,121 |

## FOURTH QUARTER RESULTS

### Income

For the quarter ending December 31, 2006, the Corporation recorded a net income of $92,216 ($0.015 earnings per common share) compared to a net income of $106,707 ($0.019 earnings per common share) for the quarter ending December 31, 2005, reflected on the weighted average number of shares outstanding. The Corporation does not expect to pay income taxes for the 2006 year as a result of loss carry forwards from previous years.

Net income decreased as a result of profit sharing in the amount of $50,776 for the fourth quarter. No amounts were accrued in 2005 as the target threshold for profits under the Profit Sharing Plan was not achieved.

### Revenue

For the quarter ending December 31, 2006, revenues were $1,345,778 compared to $1,048,127 for the quarter ending December 31, 2005 representing an increase of 28.4% for the same periods. The increase in revenue was a result of an additional mining client in the quarter and increased mining activity at its remaining mining clients in the quarter compared to the previous year.

This quarter is the thirteenth consecutive quarter that sales have increased over the same quarter in the previous year. Management expects that this trend will continue for all of the four quarters in 2007.

### Cost of Goods Sold

The Cost of Goods Sold were $956,139 for the quarter ending December 31, 2006, compared to $754,069 for the quarter ending December 31, 2005. The gross margin was 29.0% for the quarter ending December 31, 2006, compared to 28.06% for the quarter ending December 31, 2005.

The gross margin increased primarily as a result of lower raw material costs in the quarter compared to the previous year's quarter.

**Selling, General and Administrative**

The Selling, General and Administrative Expenses for the quarter ending December 31, 2006 were $276,806 compared to $165,067 for the quarter ending December 31, 2005. $50,776 of the increase was due to profit sharing expense in the quarter compared to no expense in the fourth quarter of 2005. $11,400 was for directors meeting fees expense accrued in the fourth quarter of 2006 compared to no expense in the fourth quarter of 2005. Professional fees and insurance comprised the majority of the remaining increase.

## EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including Nordex's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), and the Audit Committee on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by the MD&A, management of Nordex (including the CEO and the CFO) and the Audit Committee evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian Securities laws. Based on that evaluation the CEO, the CFO and the Audit Committee have concluded, that as of the end of the period covered by this MD&A, the disclosure controls and procedures implemented are effective to provide reasonable assurance that the information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings of the Canadian Securities Administrators) and other reports filed or submitted under Canadian Securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation (including the CEO and CFO) and the Audit Committee as appropriate to allow timely discussions regarding required disclosure.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for designing internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Canadian generally accepted accounting principals.

Management has concluded that, as of December 31, 2006, there were weaknesses in the systems of internal control due to the small size of the company, its inability to segregate functions related to control and the limited professional accounting expertise of the company's employees. In the longer term, the company will remediate these weaknesses by expanding the number of employees involved in the accounting function as the company incurs growth. In the interim basis, the company has engaged the services of a professional accounting firm to perform a monthly review of its accounts including a review of the bank reconciliation, accounts receivable and accounts payable control accounts as well as major supplier and customer accounts. In addition on a quarterly basis, the professional accounting firm will prepare the Corporation's interim financial statements.

**OTHER INFORMATION**

Additional Information relating to the Corporation is available on SEDAR at www.sedar.com or by contacting John Kozak, President & CEO of the Corporation at:

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