

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

**INTERIM MANAGEMENT DISCUSSION AND ANALYSIS  
of Financial Condition and Results of Operations  
for the three months ended June 30, 2008**

**Dated: August 7, 2008**

*The following information should be read in conjunction with the Corporation's unaudited June 30, 2008 and June 30, 2007 financial statements and audited December 31, 2007, 2006 and 2005 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 quarter ending June 30, 2008, reflect operations of the Corporation for the three month period commencing April 1, 2008 and ending June 30, 2008. Comparative financial results are for the three month period commencing April 1, 2007 and ending on June 30, 2007.

Management discussion and analysis is a review of the Corporation's financial condition and results of operation as compared to the corresponding quarter ending June 30, 2007. 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. 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

The following table sets forth certain financial information of the Corporation for the three months ending June 30, 2008 and June 30, 2007.

Three Months ended June 30	2008	2007
Total Revenues	\$1,686,237	\$1,781,120
Cost of Goods Sold	\$1,362,989	\$1,372,277
Gross Profit	\$323,248	\$408,843
Gross Margin	19.2%	23.0%
Selling, General and Administration Expense	\$189,625	\$262,533
Amortization Expenses	\$37,101	\$31,582
Interest Expense	\$23,041	\$13,167
Net Income for the Period before tax	\$73,481	\$101,561
Income after tax expense/recovery	\$115,376	\$101,561
Earnings per Share	\$0.016	\$0.018
Cash Provided By (Used In) Operations	\$515,911	\$(22,320)
Cash End of Period	\$348,225	\$141,137
Long Term Debt	\$895,128	\$608,246
Total Liabilities	\$2,115,586	\$2,258,619
Shareholders' Equity	\$2,621,494	\$1,219,751
Shares Outstanding at Period End	7,017,025	5,659,333

Note: During the fourth quarter of the fiscal year ending December 31, 2007, 1,307,692 shares were issued under a private placement. During the three month period ending March 31, 2008, 50,000 options to purchase shares were issued under the company's stock option plan.

### 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 three months ending June 30, 2008, Nordex recorded net income before tax expense/recovery of \$73,481 compared to \$101,561 for the three months ending June 30, 2007 reflecting a 27.6% reduction resulting from a reduction in sales and gross margin largely offset by a reduction in Selling, General and Administration expense.

After recovery of prior income tax accruals, net income totalled \$115,376 for the second quarter of 2008.

## **Revenue**

Revenue decreased by 5.3% in the three month period ending June 30, 2008 compared to the three month period ending June 30, 2007. The primary reason for the reduced revenue is reduced blasting operations at one of the Company's mining clients during the second quarter. Excluding the one mining client, revenue from other clients increased by 25% for the three months ending June 30, 2008 compared to the same period in 2007.

## **Cost of Good Sold**

Cost of Goods Sold was \$1,362,989 for the fiscal year ending June 30, 2008 compared to \$1,372,277 for the three month period ending June 30, 2007. Gross margin for the period ending June 30, 2008 deducted to 19.2% compared to 23.0% for the same period in 2007. The reduction in gross profit margins is a result of increased raw material costs (for primarily ammonium nitrate and diesel fuel) and increased finished good costs from its detonator supplier.

## **Selling, General and Administrative**

Selling, general and administrative expenses include marketing, customer support, executive personnel, professional services, office and occupancy costs required to manage the corporation and do not include depreciation, amortization and interest. Selling, general and administrative expenses for the three months ending June 30, 2008 were \$189,625 compared to \$262,533 for the three months ending June 30, 2007 reflecting an overall 27.8% reduction largely resulting from lower professional fees in the quarter and from lower miscellaneous expenses.

Professional fees reduced significantly as a result of increased legal fees during the same period in 2007 that were relating to a motion brought against the Corporation by a shareholder. On December 7, 2007 the Corporation issued a press release announcing that it been advised by its legal counsel in Quebec that the January 2007 Motion commenced by Mr. Levesque had been deemed to have been discontinued as Mr. Levesque failed to inscribe the action within the time limits required by the law and by the Court.

Miscellaneous expenses (which include property expense; vehicle expense; travel expenses; professional fees; bad debt expenses; licenses; and expenses related to maintaining a public listing on the TSX Venture Exchange) reduced significantly in Q2 2008 by 32%, relating to lower travel and bad debt expenses compared to Q2 2007.

## **Interest and Bank Charges**

Interest and bank charges for the three months ending June 30, 2008 were \$23,041 compared to \$13,167 for the three months ending June 30, 2007 and have increased as a result of mobile equipment vehicle loans and loans from the Business Development Bank

of Canada for working capital expenditures. The vehicles were necessary for the delivery of product and use at the plant as a result of increased trade.

### **Inventories**

Inventories were \$1,124,405 on June 30, 2008 compared to \$1,149,207 at the fiscal year ending December 31, 2007 and compared to \$956,663 on June 30, 2007.

### **Property, Plant and Equipment**

The total book value of Property, Plant and Equipment at fiscal quarter ending June 30, 2008 was \$2,249,233 compared to \$1,462,801 at fiscal year ending December 31, 2007 and compared to \$1,358,869 at June 30, 2007.

Purchase of capital assets in the second quarter before depreciation totaled \$511,868 consisting largely of expenditures on plant machinery and equipment additions and improvements.

### **Provision for Income Taxes**

The Corporation has filed amended tax returns for the years 2005 and 2006 which have been assessed favourably, which will provide tax deductions and credits to reduce current and future taxes payable. The Company has filed the 2007 tax return showing federal non-capital losses available to carry forward to future years of \$49,519 and federal investment tax credits available to reduce taxes otherwise payable of \$35,031.

In the second quarter ended June 30, 2008, the Corporation has recorded an Ontario Innovation Tax Credit (OITC) receivable of \$16,000 to miscellaneous income, and a recovery of prior current tax provisions of \$41,895 largely resulting from the favourable amended tax return assessments.

### **Retained Earnings**

Retained Earnings improved to \$385,008 for the period ending June 30, 2008 compared to \$186,067 at December 31, 2007 and compared to a deficit of \$153,133 at June 30, 2007 reflecting the net profits over these periods.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the fiscal quarter ending June 30, 2008, there was a reduction in the Corporation's near-cash position and short-term deposits to \$348,225 from \$768,190 as of December 31, 2007. This reduction is primarily a result of the purchase of capital assets and repayment of long term debt.

Long term debt (including current year's portion) reduced to \$895,128 at June 30, 2008 from \$967,709 at the end of 2007. \$755,883 of this amount is for two loans with principal outstanding of \$375,300 and \$380,583 obtained from the Business Development Corporation in 2007 which both have interest rates of 7.5% per annum calculated monthly. The principal on the loans is repayable in monthly instalments of \$4,700 amortized over 96 months and \$2,225 amortized over 180 months respectively. The remainder of the long term debt loans are for mobile equipment.

Current Liabilities increased to \$1,361,941 at June 30, 2008 from \$1,206,349 at December 31, 2007 resulting from an increase in accounts payables.

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.

## **SUBSEQUENT EVENTS AND LEGAL PROCEEDINGS**

On July 18, 2008, the Corporation announced that it had received an Amended Motion to Institute Proceedings and Application for the Issuance of Orders to Rectify Acts which are Oppressive and Unfairly Prejudicial, dated July 17, 2008 (hereinafter called the "Motion"), brought in the Superior Court (Commercial Division) District of Montreal by Jacques Levesque, a shareholder of Nordex, as Plaintiff. The Motion is returnable before the Court in Montreal on August 27, 2008, at which time a timetable is to be determined for the progress of the proceedings.

The Motion names Computershare Limited, the transfer agents for Nordex, Bruce Forth, a former director of Nordex, Timothy Peterson, John Kozak, Bruce Bent and Jules Roy, directors of Nordex, James Craig Taylor, Chief Operating Officer of Nordex and Flavio Moroso, an employee of Computershare Limited, as Defendants and Nordex Explosives Ltd. as "Mise-en-cause".

The Motion seeks an oppression remedy and in the name of Nordex Explosives Ltd., a derivative action, asking the Court for an accounting to Nordex of amounts received by the individual Defendants pursuant to the Nordex Profit Sharing Plan; a declaration that Mr. Levesque has been and remains a director of Nordex since 2004; an order vitiating and setting aside the results of the May 19, 2006 annual and special meetings of Nordex and directing that the issues there presented be brought before a special meeting of shareholders as soon as reasonable practicable; an order declaring null and void the Nordex Profit Sharing Plan and required all persons having received money thereunder to account therefore and disgorge the same to Nordex; an award in pecuniary damages of \$40,000 for loss of salary; and \$200,000 for compensation for time and legal expenses;

and an award in damages of \$60,000 for humiliation. Full details of the Motion are contained in the Press Release issued by the Corporation on July 18, 2008, which is available on SEDAR at [www.sedar.com](http://www.sedar.com)

It is the opinion of management that the claims made by Mr. Levesque are without merit, and counsel have been retained to defend the Motion.

## TRANSACTIONS WITH RELATED PARTIES

During the quarter the Company accrued \$6,000 in Director Fees and meeting expenses. An officer in the Company is a partner in a legal firm that provides services to the company. The Company paid \$20,897 in legal fees for services provided by the legal firm.

## DIRECTORS AND OFFICERS COMPENSATION

At a meeting of the Board of Directors held during the quarter ending March 31, 2008, the Compensation Committee recommended and the directors approved annual salaries for the 2008 year of \$140,000 for Mr. John Kozak, \$120,000 for Mr. Jim Taylor and \$30,000 for Mr. A. Timothy Peterson for their roles as officers of the Corporation.

At the same meeting, the Compensation Committee also recommended that a long term compensation plan, including bonuses, LTIP, and benefits to be established for Messrs. Kozak, Taylor and Peterson. It is the intention of the Compensation Committee to obtain input from both management, the Board, and if thought necessary or helpful, outside consultants before making final recommendations for the compensation structure for these officers for the 2008 fiscal year.

The directors and officers of the Corporation received the following compensation for the three months ending June 30, 2008.

Person	Positions	Salary	Bonus	Director Meetings (2)	Stock Options Granted	Other
John Kozak	President, CEO & Director	\$35,000	Nil	\$600	Nil	\$700 (3)
Jim Taylor	VP & COO	\$30,000	Nil		Nil	\$600 (3)
A. Timothy Peterson	CFO, Director & Chairman	\$7,500	Nil	\$600	Nil	
Bruce Forth	Director & Secretary (1)	Nil	Nil	Nil	Nil	\$20,897 (4)
Bruce Bent	Director	Nil	Nil	\$600	Nil	
John Huxley	Director	Nil	Nil	\$600	Nil	
Jules Roy	Director (1)	Nil	Nil	\$600	Nil	

Note (1): At the Annual and Special Shareholders Meeting held on May 8, 2008, Bruce Forth did not stand for re-election as a director. Jules Roy stood for election and was voted a director at the Meeting.

Note (2): The Directors receive a \$300 stipend for each Board of Director meeting in which they participate.

Note (3): As part of the Company's Benefits Program, the Company contributes 2% of John Kozak and Jim Taylor cash compensation (e.g. salary and bonus) towards the Company run pension plan.

Note (4): In addition to being the Company's Secretary, Bruce Forth is a partner in a legal firm that provides services to the Company. The Company paid \$20,897 in legal fees for services provided by the legal firm.

## 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 June 30, 2008.

<b>Quarter Ended</b>	<b>Revenue</b>	<b>Income</b>	<b>Income Per Share</b>	<b>Total Assets</b>	<b>Total Long Term Financial Liabilities</b>
<b>2008</b>					
June 30	\$1,686,237	\$115,376	\$0.016	\$4,737,080	\$895,128
March 31	\$1,582,246	\$83,565	\$0.012	\$4,255,574	\$931,285
<b>2007</b>					
December 31	\$1,732,921	\$134,862	\$0.019	\$4,425,340	\$967,909
September 30	\$1,927,949	\$204,344	\$0.036	\$3,900,715	\$591,604
June 30	\$1,781,120	\$101,561	\$0.018	\$3,478,370	\$608,246
March 31	\$1,622,282	\$139,692	\$0.025	\$2,979,714	\$346,427
<b>2006</b>					
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

## 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. Information contained in publicly available

information in respect of the Corporation and information presented in this document 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, quarry activity 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 resells bulk emulsion and small diameter packaged emulsion manufactured by third parties. 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 resells products manufactured by other companies.

A significant portion of the Corporation's sales are currently made up by the resale of product from one manufacturer. The ability to replace the product supplied by this manufacturer with similar products from alternate suppliers or by manufacturing

internally is a significant risk and failure to do so could have a material adverse effect on the Corporation.

The Corporation is dependent on another third party manufacturer to supply small diameter packaged explosives. The ability to replace these products with similar products from an alternative supplier or by manufacturing internally is a significant risk.

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 increased 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 or ammonium reduce then the availability of ammonium nitrate decreases and the price increases presenting a risk to the Corporation.

The Corporation purchases a significant amount of diesel fuel which is used as input to manufacture various explosive lines. The price of diesel fuel has increased significantly recently. There is a risk that the price of diesel fuel will continue to increase.

### **Dependence on Significant Customers**

The majority of the Corporation's sales in the quarter were to its mining clients. Management expects this to be the case for at least the next twelve months. A significant downturn in the mining industry could have a material adverse effect on the corporation.

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 resulting lower profit margins for the Corporation.

During the period ending June 30, 2008, sales to the Corporations top three clients comprised 69% of sales compared to 65% for the similar period in 2007.

### **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.

### **Directors and Officers Conflicts**

Certain 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, sales territories 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 June 30, 2008.

<b>Designation of Security</b>	<b>Authorized</b>	<b>Outstanding at June 30, 2008</b>
Common	12,000,000	7,017,025

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:

<b>Name</b>	<b>Number of Shares Beneficially Owned or Controlled or Directed</b>	<b>Percentage of 7,017,025 Outstanding Common Shares at August 7, 2008</b>
Mr. Andrew Timothy Peterson Mississauga, Ontario	1,014,300	14.5%
Mr. Jacques Levesque Point Edward, Ontario	1,142,200	16.3%

### **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 with the exception noted in the following section (Internal Control Over Financial Reporting) , 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 previously concluded that there were weaknesses in the systems of internal control due to the small size of the company and its inability to segregate functions related to control, and the limited professional accounting expertise of the company’s employees. The company determined that it would remediate these weaknesses by expanding the number of employees with accounting expertise that are involved in the accounting function as the company incurs growth. In addition, the services of a professional accounting firm are used to prepare the Corporation’s Quarterly interim financial statements.

During the third quarter of 2007, the company hired a Finance Manager who provides accounting and financial management to the Company over financial reporting and internal controls, including review of the organization’s accounting system processes and the implementation of procedures designed to address internal control weaknesses relating to cash disbursements, working capital management and financial reporting.

## **OTHER INFORMATION**

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

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