



## Nordex Explosives Ltd.

April 12, 2007

Dear Shareholders,

I am extremely pleased to report another successful year for Nordex Explosives Ltd. ("Nordex"). The 2006 year is the third consecutive year of significant growth and expansion for Nordex. During this three year period, Nordex has grown from a localized supplier of ANFO and specialized products for a few clients into a provider of a full line of explosive products to a growing number of clients in the mining, road construction, and drilling & blasting industries.

In 2006 Nordex entered into new multi-year contracts with its three largest mining clients and also secured an additional mining client. Subsequent to the year end in January 2007, Nordex secured another significant mining client. In addition, Nordex has been able to expand its stable of non-mining clients throughout 2006. The expanded client base bodes well for the company in 2007.

In addition to our success in expanding our client base, we achieved a number of financial milestones during the year. Following are some of the key financial successes achieved for the 2006 year compared to 2005.

- Revenue increased by 32.2% to \$4,857,953.
- Gross profit increased by 45.4% to 1,247,672
- Gross profit margin increased to 25.7% from 23.3%.
- Net profit increased by 33.0% to 309,221

These successes are a continuance of achievements that began in 2004. Jim Taylor, our VP Operations & COO, first got involved with Nordex as a consultant in 2003 and became an employee in 2004. John Kozak, our President & CEO, was asked by the Board of Directors to join Nordex in early 2004. At the time the company was raising \$275,000 through a private placement so that measures could be put in place to increase sales, gross margins, profits and shareholders' ROI. The following outlines many of the measures put in place since the start of 2004.

2004

- \$275,000 was raised through a private placement of common shares and \$400,000 of debt financing was raised to fund plant improvements and infrastructure projects and to refinance existing debt.
- Hired an agent to focus exclusively on sales to large accounts to increase revenues.
- Implemented cost controls and financial controls to increase gross and net margins.
- Expanded the truck fleet and re-commissioned a bulk ANFO truck to reduce dependence on third party freight carriers and improve customer service.

2005

- Improved existing and the purchased additional explosive magazines and tanks to increase overall storage capacity at the plant and at client sites.
- Obtained ISO certification to ensure quality control in all aspects of the operations.
- Secured several key suppliers for raw materials and finished product to improve gross margins and expand product offerings.
- Implemented the Normite brand of packaged emulsions by blending and self packaging emulsions in order to reduce product costs.
- Expanded the truck fleet to reduce dependence on third party freight carriers and to service the growing client base.

2006

- Implemented a rail siding to accommodate increased shipments of raw material to our plant and to reduce shipping and handling costs for the feedstock.
- Added a second sales agent to improve customer service and increase sales.
- Built a new lab to improve quality control and new product development.
- Purchased additional explosive magazines and storage tanks to increase overall storage capacity at the plant and at client sites.
- Expanded the truck fleet to better service the growing client base.

During these three years, revenue in every fiscal quarter has exceeded the revenue in the same quarter in the previous year. The following table shows the results of the actions taken from 2004 through 2006.

	2006	2005	2004	2003
Revenue	4,857,953	3,674,883	2,409,481	967,628
Cost of Goods Sold	3,610,281	2,816,898	2,012,251	774,829
Gross Profit	1,247,672	857,985	397,230	192,799
Gross Margin	25.7%	23.3%	16.5%	19.9%
Administration	833,410	535,590	493,350	233,984
Amortization & Financing	103,625	89,825	54,740	23,541
Net Profit	320,119	232,570	(150,860)	(64,726)
Net Profit Margin	6.6%	6.3%	(6.3%)	(6.7%)

Management and the directors have placed considerable emphasis on minimizing administrative expenses in order to increase the bottom line. Net profit margin has grown steadily during the last three years as a result of increasing gross profit margin and decreasing administration expenses as a percentage of revenue compared to historical values.

Shareholders have benefited from these successes over the last three years. The following table shows some of the key shareholder benefits over the last several years.

	2006	2005	2004 (*)	2003
Annual Trading Volume	689,800	250,300	83,234	96,640
Share Price End of Period	\$0.49	\$0.24	\$0.15	\$0.11
Annual Increase in Share Price	104%	60%	36%	10%
No. of Shares Outstanding	5,626,000	5,451,000	5,451,000	2,701,000
Market Capitalization	\$2,756,740	\$1,308,240	\$817,650	\$297,110
Annual Increase in Market Cap.	111%	60%	175%	10%

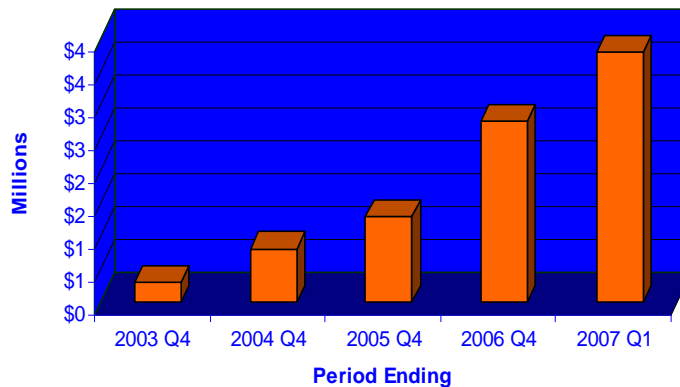
\* Excludes private placement of 2,750,000 shares during the year.

The share price of the company has increased from 10 cents at the private placement to 67 cents at the time of writing. The following chart tracks the share price of the company over a three year period beginning just prior to the private placement held in April 2004.



At the start of 2004, the market capitalization of the company was approximately \$300,000 and in a little over three years this has increased by well over 1,000% to approximately \$3.8 million at the end of the first quarter of 2007. Market capitalization increased by over 100% in 2006 alone. Trading volumes have also increased substantially increasing liquidity for the shareholders.

**Nordex Explosives Market Capitalization**



In addition to the improvements to the income statement, share price and overall liquidity, the assets on Nordex's balance sheet have grown tremendously from \$633,738 at the start of 2004 to \$2,443,134 at the end of 2006 for an increase of 286%. Shareholders' equity has increased from \$278,389 at the start of 2004 to \$938,451 at the start of 2007 for an increase of 237%. This has been reflected in the company's share price which has increased from 11 cents at the start of 2004 to 67 cents at the end of the first quarter of 2007 for an increase of over 500%.

The increase in assets on the balance sheet only describes a portion of the Nordex's value. It is the assets that do not appear on the balance sheet that are integral to Nordex. I'm referring to our experienced and dedicated Nordex personnel that manufacture our products, make the deliveries to our clients and provide a level of customer service second to none. Joe Rozon, our plant manager has been with Nordex for approximately twenty years. Patrick Leclerc, our Plant Foreman has approximately ten years experience at Nordex. In 2006, our longest serving employee, Tom Gosnell, retired from Nordex after twenty-eight years with the company. Over the last three years, we've been able to attract additional employees that uphold the tradition of dedication and customer service. Nordex is extremely fortunate to have this team and I'd like to thank them for their efforts and hard work.

I would also like to thank the other officers and directors. A core group of the directors have been in place since 2002. At the time, the company was close to financial collapse. Their commitment and leadership have turned the fortunes of Nordex around and have laid the groundwork for the successes that are now taking place. Another strong addition to the board in 2006 has ensured that we have the necessary skills to continue the company's successful growth.

The company continues to evaluate options to improve its storage capabilities, shipping logistics, supplier base and manufacturing facilities. In 2007, Nordex is in the process of securing an operating line with its bank (CIBC) to ensure the Corporation has sufficient resources to continue its growth. Also in 2007, Nordex is negotiating new loans with the BDC at favourable rates to replace existing loans and to secure additional financing lines furthering our ability to expand.

Finally, I would like to say that it has been a pleasure working on behalf of all of the shareholders and I look forward to sharing future successes with you.

Sincerely,

*"A. Timothy Peterson"*

A. Timothy Peterson  
Chairman

*This discussion includes forward-looking statements that may differ materially from actual results achieved.*