
LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES
LTD.

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003

AUDITORS' REPORT

To the Shareholders of
Les Explosifs Nordex Ltee./ Nordex Explosives Ltd.

I have audited the consolidated balance sheets of **Les Explosifs Nordex Ltee./ Nordex Explosives Ltd.** as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

North Bay, Canada

N. R. McLeod, C.A.



March 31, 2005

Chartered Accountant

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
CURRENT ASSETS		
Cash	\$ 194,020	\$ 3,059
Accounts receivable	706,109	156,998
Inventories (Note 3)	279,798	159,034
Prepaid expenses	4,979	3,389
	1,184,906	322,480
DUE FROM RELATED PARTY (Note 10)	12,500	-
PROPERTY, PLANT AND EQUIPMENT (Notes 3 and 4)	626,912	311,258
	\$ 1,824,318	\$ 633,738
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 990,880	\$ 243,175
Current portion of long-term debt (Note 5)	39,264	29,971
	1,030,144	273,146
LONG-TERM DEBT (Note 5)	408,457	82,203
	1,438,601	355,349
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	1,266,049	1,013,549
OPTIONS (Note 7)	13,201	7,513
CONTRIBUTED SURPLUS	222,679	222,679
DEFICIT	(936,183)	(785,323)
COMMON SHARES IN TREASURY (Note 6)	(180,029)	(180,029)
	385,717	278,389
	\$ 1,824,318	\$ 633,738

Going Concern (Note 1) and Contingencies (Note 11)

APPROVED BY THE BOARD OF DIRECTORS:

"Andrew Timothy Peterson"

 ANDREW TIMOTHY PETERSON
 DIRECTOR

"John C. Kozak"

 JOHN C. KOZAK
 DIRECTOR

See accompanying notes to financial statements.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
		(Note 13)
SALES (Schedule 2)	\$ 2,409,481	\$ 967,628
COST OF GOODS SOLD (Schedule 1)	2,012,251	774,829
GROSS PROFIT	397,230	192,799
EXPENSES		
Administrative (Schedule 1)	493,350	233,984
Amortization	33,690	11,328
Interest on long-term debt	21,050	12,213
	548,090	257,525
LOSS FOR THE YEAR	(150,860)	(64,726)
DEFICIT, beginning of year	(785,323)	(720,597)
DEFICIT, end of year	\$ (936,183)	\$ (785,323)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.029)	\$ (0.020)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	5,166,284	3,314,777

See accompanying notes to financial statements.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH PROVIDED BY (USED IN) OPERATIONS:		
LOSS FOR THE YEAR	\$ (150,860)	\$ (64,726)
ITEMS NOT INVOLVING CASH		
Amortization	33,690	11,238
Gain on sale of property, plant and equipment	(1,000)	-
Stock based compensation	5,688	6,128
CHANGE IN NON-CASH OPERATING WORKING CAPITAL:		
(Increase) Decrease in accounts receivable	(549,111)	38,641
(Increase) Decrease in inventory	(120,764)	(40,695)
Decrease (Increase) in prepaid expenses	(1,592)	230
Increase in accounts payable and accrued liabilities	747,705	53,360
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	(36,244)	4,266
FINANCING:		
Issue of long-term debt	460,677	56,000
Repayment of long-term debt	(125,128)	(26,400)
Due from related party	(12,500)	-
Issuance of common shares	252,500	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	575,549	29,600
INVESTMENTS:		
Expenditures on property, plant and equipment	(349,344)	(37,133)
Proceeds on sale of property, plant and equipment	1,000	-
CASH FLOWS USED IN INVESTING ACTIVITIES	(348,344)	(37,133)
CHANGE IN CASH DURING THE PERIOD	190,961	(3,267)
CASH AND CASH EQUIVALENTS, beginning of year	3,059	6,326
CASH AND CASH EQUIVALENTS, end of year	\$ 194,020	\$ 3,059

See accompanying notes to financial statements.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

1. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Continuing operating losses cast doubt upon the validity of this assumption.

The Company's continued existence is dependent upon its ability to restore and maintain future profitable operations.

These financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate because management believes it will be able to restore the Company to profitability.

If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. NATURE OF OPERATIONS

The Company is incorporated under the laws of Quebec and operates as a developer and manufacturer of explosive products.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary, Nordex Explosives (Ontario) Limited, after the elimination of inter-company transactions and balances. There was no activity in the subsidiary during the year.

(b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short term investments.

(c) INVENTORIES

Raw materials are valued at lower of cost and replacement cost and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(d) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is originally recorded at the laid down cost and is amortized based on this cost less salvage value on the declining balance basis using the following rates:

Buildings	3%
Emulsion plant	4%
Plant, machinery and equipment	5%
Mobile equipment	25%
Laboratory equipment	10%
Office equipment and furniture	10%

Plant and equipment assets are not amortized until they are put into use.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) REVENUE

The Company recognizes sales at the time ownership passes to the customer which occurs upon delivery of the goods to the customer.

(f) USE OF ESTIMATES

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(g) INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(h) EARNINGS PER SHARE

The Company adopted the new standard for calculating earnings per share as recommended by the Canadian Institute of Chartered Accountants. The new standard requires the use of the treasury stock method for computing diluted earnings per share, which assumes that any proceeds obtained upon exercise of options would be used to purchase common shares at average market price during the period. The adoption of this method did not have a material impact on the historical earnings per share. Anti-dilutive factors are not included in the computation of diluted earnings per share.

(i) STOCK-BASED COMPENSATION

The Company has a stock-based compensation plan, which is described in Note 7. Any consideration paid upon exercise of options and issues of shares is credited to share capital.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

4. PROPERTY, PLANT AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	Net	
			2004	2003
Land and land improvements	\$ 39,839	\$ -	\$ 39,839	\$ 39,839
Buildings	574,991	264,190	310,801	171,448
Plant, machinery and equipment	374,899	302,923	71,976	69,737
Office equipment and furniture	38,433	24,780	13,653	11,548
Emulsion plant project	57,232	-	57,232	-
Laboratory equipment	7,475	4,443	3,032	749
Mobile equipment	493,324	362,945	130,379	17,937
Totals	\$ 1,586,193	\$ 959,281	\$ 626,912	\$ 311,258

5. LONG-TERM DEBT

	2004	2003
Term loan bearing interest at 10% per annum, repayable in blended monthly installments of \$5,318. As security the company has pledged accounts receivable, inventory land, buildings specific equipment and has provided a general security agreement. Maturing in 2014.	\$ 394,499	\$ -
Loan bearing interest at 8% per annum, repayable in blended monthly installments of \$995. As security the company has pledged a vehicle. Maturing in 2008.	35,581	-
Loan bearing interest at 10.0% per annum, repayable in blended monthly installments of \$489, secured by a vehicle. Maturing in 2008.	17,641	-
Various loans paid out or refinanced during the year	-	112,174
	447,721	112,174
Current portion	39,264	29,971
	\$ 408,457	\$ 82,203

Approximate principal repayments are as follows:

2005	\$ 39,264
2006	43,169
2007	47,463
2008	42,589
2009	38,010
Subsequent to 2009	237,226
	\$ 447,721

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

6. SHARE CAPITAL

(a) AUTHORIZED

12,000,000 common shares

(b) ISSUED

	2004	2003
6,039,777 common shares	\$ 1,266,049	\$ 1,013,549

COMMON SHARES IN TREASURY

588,777 common shares	\$ 180,029	\$ 180,029
-----------------------	------------	------------

7. STOCK OPTIONS

The Company has a stock option plan which allows the granting of stock options to directors, employees, management and consultants up to an aggregate amount of 330,000 options. Under the current Company practice, the options will vest at a rate of 1/3 in each of the first three years of their life. Options issued to consultants and to directors, employees and management will mature January 14, 2005 and January 14, 2007 respectively. The exercise price of each option is \$0.16, which was based on the closing market price of the Company's common shares on January 11, 2002.

A summary of the status of the Company's stock option plan and changes during the year is presented below.

The following director stock options are outstanding:

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
200,000	16 cents	January 14, 2007
20,000	16 cents	January 14, 2005

Stock options issued to officers and directors are as follows:

	Number of shares	2004 Weighted average exercise price
Options outstanding as at beginning of year	220,000	\$ 0.16
Granted	-	-
Exercised	-	-
Forfeited	-	-
Options outstanding at year end	220,000	\$ 0.16
Options exercisable at year end	220,000	\$ 0.16

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

7. STOCK OPTIONS (CONT'D)

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average contractual life (years)	Exercisable options weighted average contractual life (years)
\$ 0.16	200,000	200,000	1.85	1.85
0.16	20,000	20,000	0.01	0.01
\$ 0.16	220,000	220,000	1.86	1.86

The Company recognizes the calculated benefit at the date of granting the stock options on a straight-line basis over the shorter of the expected service period and the vesting period.

The fair value of each option at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions:

Expected life of options	5 years
Risk-free interest rate	4%
Expected stock price volatility	60%
Expected dividend yield	0%
Weighted-average fair value of options	\$0.16

8. INCOME TAXES

The Company has losses of approximately \$1,016,000 available to reduce future taxable income. These losses expire as follows:

2005	\$ 364,000
2006	255,000
2007	21,000
2008	125,000
2009	81,000
2010	53,000
2011	117,000
	<hr/>
	\$ 1,016,000

The benefit relating to these loss carryforward amounts has not been recognized in the financial statements as the amount to be recorded under generally accepted accounting principles is limited to the amount which is more likely than not to be realized.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

8. INCOME TAXES (CONT'D)

Income for taxation purposes differs from the amounts that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to loss before income taxes. This difference results from the following:

	2004	2003
Loss before income taxes	\$ (150,860)	\$ (64,726)
Combined basic federal and provincial tax rate	36.12 %	36.62 %
Expected income tax	\$ (54,491)	\$ (23,703)
Increase (decrease) in income taxes resulting from:		
Depreciation claimed in excess of capital cost allowance	12,169	4,148
Unused tax loss to be carried forward	42,322	19,555
	\$ -	\$ -

Significant components of the Company's deferred tax assets are as follows:

	2004	2003
Operating losses carried forward	\$ 366,979	\$ 451,180
Tax values of capital assets in excess of accounting values	85,741	34,267
Investment tax credits	33,688	33,688
Total deferred tax assets	486,408	519,135
Valuation allowance	(486,408)	(519,135)
	\$ -	\$ -

Investment tax credits in the amount of \$93,000 (2003 - \$93,000) are available in varying amounts until 2006.

9. FINANCIAL INSTRUMENTS

The carrying amount of cash, account receivable, accounts payable and accrued liabilities approximate their fair market value. The Company's long term debt bears interest at fixed rates and therefore the Company is not subject to interest rate risk.

10. RELATED PARTY TRANSACTIONS

During 2004, the Company accrued \$80,000 (2003 -\$ nil) in consulting services for the directors of the Company. At December 31, 2004 \$110,000 was owing to directors (2003 - \$30,000).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

At December 31, 2004 a \$12,500 promissory note was owed to the Company by one of the directors. The promissory note is payable on demand with no interest terms.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

11. CONTINGENCIES

The Company has a contractual obligation whereby 20% of the proceeds from any future sale of its Melba Township property accrue to the other party to the contract. The amount of the proceeds as well as the selling date of any future sale of the property is not determinable.

12. LEASE COMMITMENTS

The company's total obligations under various operating leases for vehicles are as follows:

2005	\$12,123
2006	\$12,123
2007	\$ 2,313

13. COMPARATIVE FIGURES

Certain of the 2003 comparative figures have been reclassified to conform with the 2004 financial statement presentation.

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

YEARS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED-SEE NOTICE TO READER))

	2004	2003
COST OF GOODS SOLD		
Materials Purchased	\$ 1,609,304	\$ 473,001
Freight	143,209	42,467
Commissions	35,378	-
Wages & benefits	224,360	259,361
	\$ 2,012,251	\$ 774,829
ADMINISTRATIVE EXPENSES		
Consultants	\$ 123,650	\$ 52,290
Insurance	65,599	45,326
Utilities	26,117	26,009
Wages & benefits	110,125	32,864
Miscellaneous	167,859	77,495
TOTAL	\$ 493,350	\$ 233,984

LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

YEARS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED-SEE NOTICE TO READER))

	2004	2003
REVENUE		
Sale of product	\$ 2,311,338	\$ 915,727
Freight	94,047	23,026
Other	4,096	28,876
	\$ 2,409,481	\$ 967,628