
LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED MARCH 31, 2005

NOTICE TO READER

We have compiled the consolidated balance sheet of Les Explosifs Nordex Ltee. / Nordex Explosives Ltd. as at March 31, 2005 and the statements of operations and deficit and cash flows for the period then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Kirkland Lake, Ontario
May 16, 2005

Ross, Pope & Company.

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.**CONSOLIDATED BALANCE SHEET****AS AT MARCH 31, 2005 AND DECEMBER 31, 2004****(UNAUDITED-SEE NOTICE TO READER)**

	MARCH 31 2005	DECEMBER 31 2004
ASSETS		
CURRENT ASSETS		
Cash	\$ 215,425	\$ 194,020
Accounts receivable	588,127	706,109
Inventories	164,517	279,798
Prepaid expenses	4,979	4,979
	973,048	1,184,906
DUE FROM RELATED PARTY	12,500	12,500
PROPERTY, PLANT AND EQUIPMENT (Note 3)	640,374	626,912
	\$ 1,625,922	\$ 1,824,318
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 769,562	\$ 990,881
Current portion of long-term debt (Note 4)	39,562	39,264
	809,124	1,030,145
LONG-TERM DEBT (Note 4)	398,559	408,457
	1,207,683	1,438,602
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	1,266,049	1,266,049
OPTIONS (Note 6)	13,238	13,201
CONTRIBUTED SURPLUS	224,064	222,679
DEFICIT	(905,083)	(936,184)
COMMON SHARES IN TREASURY (Note 5)	(180,029)	(180,029)
	418,239	385,716
	\$ 1,625,922	\$ 1,824,318

ON BEHALF OF THE BOARD:

"Andrew Timothy Peterson"

ANDREW TIMOTHY PETERSON
DIRECTOR

"John C. Kozak"

JOHN C. KOZAK
DIRECTOR

See accompanying notes.

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT****THREE MONTH PERIOD ENDED MARCH 31****(UNAUDITED-SEE NOTICE TO READER)**

	2005	2004
SALES (Schedule 2)	\$ 843,899	\$ 351,500
COST OF GOODS SOLD (Schedule 1)	670,196	300,013
GROSS PROFIT	173,703	51,487
EXPENSES		
Administrative (Schedule 1)	119,922	77,796
Amortization	11,873	2,962
Interest on long-term debt	10,807	-
	142,602	80,758
INCOME (LOSS)	31,101	(29,271)
DEFICIT, beginning of period	(936,184)	(785,323)
DEFICIT, end of period	\$ (905,083)	\$ (814,594)
BASIC AND DILUTED EARNINGS(LOSS) PER SHARE	\$ 0.0051	\$ (0.0077)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	6,039,777	3,314,777

See accompanying notes.

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.**CONSOLIDATED STATEMENT OF CASH FLOWS****THREE MONTH PERIOD ENDED MARCH 31****(UNAUDITED-SEE NOTICE TO READER)**

	2005	2004
OPERATING ACTIVITIES		
INCOME (LOSS)	\$ 31,101	\$ (29,271)
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Amortization	11,873	2,962
Stock based compensation	1,422	1,422
DECREASE (INCREASE):		
Accounts receivable	117,982	(62,182)
Inventory	115,281	(29,084)
INCREASE (DECREASE):		
Accounts payable	(221,319)	108,347
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	56,340	(7,806)
FINANCING ACTIVITIES		
Repayment of long-term debt	(9,600)	(7,226)
Issuance of common shares	-	50,000
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(9,600)	42,774
INVESTING ACTIVITIES		
Purchase of capital assets	(25,335)	(4,216)
CASH FLOWS USED IN INVESTING ACTIVITIES	(25,335)	(4,216)
CHANGE IN CASH DURING THE PERIOD	21,405	30,752
CASH, beginning of period	194,020	3,059
CASH, end of period	\$ 215,425	\$ 33,811

See accompanying notes.

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED MARCH 31, 2005 & 2004

(UNAUDITED-SEE NOTICE TO READER)

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying consolidated financial statements do not include all of the information and disclosures required by Canadian Generally Accepted Accounting Principles for annual audited financial statements. The consolidated financial statements should be read in conjunction with the company's consolidated financial statements including the notes thereto for the year ended December 31, 2004.

(b) 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 period.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short term investments.

(d) 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.

(e) 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.

(f) REVENUE RECOGNITION

Revenue from product sales is recorded when ownership passes to the customer which occurs upon delivery of the goods to the customer.

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THREE MONTH PERIOD ENDED MARCH 31, 2005 & 2004

(UNAUDITED-SEE NOTICE TO READER)

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

(g) 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.

(h) 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.

(i) 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.

(j) STOCK-BASED COMPENSATION

The Company has a stock-based compensation plan, which is described in Note 6. Any consideration paid upon exercise of options and issues of shares is credited to share capital.

3. PROPERTY, PLANT AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	Net 2005	2004
Land and land improvements	\$ 39,839	\$ -	\$ 39,839	\$ 39,839
Buildings	583,021	266,551	316,470	310,801
Plant, machinery and equipment	380,699	303,859	76,840	71,976
Office equipment and furniture	38,432	25,121	13,311	13,653
Emulsion plant project	68,407	-	68,407	57,232
Laboratory equipment	7,475	4,519	2,956	3,032
Mobile equipment	493,655	371,104	122,551	130,379
Totals	\$ 1,611,528	\$ 971,154	\$ 640,374	\$ 626,912

Depreciation expense for the period amounted to \$11,873 (2004 - \$2,962).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THREE MONTH PERIOD ENDED MARCH 31, 2005 & 2004

(UNAUDITED-SEE NOTICE TO READER)

4. LONG-TERM DEBT

	MARCH 31 2005	DECEMBER 31 2004
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.	\$ 388,224	\$ 394,499
Loan bearing interest at 8% per annum, repayable in blended monthly installments of \$995, secured by a vehicle. Maturing in 2008.	33,294	35,581
Loan bearing interest at 10.00% per annum, repayable in blended monthly installments of \$498, secured by a vehicle. Maturing in 2008.	16,603	17,641
Current portion	438,121 39,562	447,721 39,264
	\$ 398,559	\$ 408,457

Approximate principal repayments required over the next five years are as follows:

2006	\$ 39,562
2007	\$ 47,463
2008	\$ 42,589
2009	\$ 38,010
2010	\$ 38,965
2011 and subsequent	\$ 191,970

5. SHARE CAPITAL

AUTHORIZED 12,000,000 common shares ISSUED	2005	2004
6,039,777 (2004 - 6,039,777) common shares	\$ 1,266,049	\$ 1,266,049
COMMON SHARES IN TREASURY 588,777 common shares	\$ 180,029	\$ 180,029

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THREE MONTH PERIOD ENDED MARCH 31, 2005 & 2004

(UNAUDITED-SEE NOTICE TO READER)

6. 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 325,000 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

Stock options issued to officers and directors are as follows:

	Number of shares	2005 Weighted average exercise price	2004 Weighted average exercise price
Options outstanding as at beginning of year	220,000	\$ 0.16	\$ 0.16
Granted	-	-	-
Exercised	-	-	-
Forfeited	(20,000)	0.16	-
Options outstanding at period end	200,000	\$ 0.16	\$ 0.16
Options exercisable at period end	200,000	\$ 0.16	

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	1.79	1.79
\$ 0.16	200,000	200,000	1.79	1.79

The Company accrues an expense for all employee stock options using the fair value method as required under Canadian generally accepted accounting principles. The company has expensed \$1,422 during the current period related to stock option compensation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THREE MONTH PERIOD ENDED MARCH 31, 2005 & 2004

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6. STOCK OPTIONS (CONT'D)

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

7. 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.

8. RELATED PARTY TRANSACTIONS

During 2005, the Company accrued consulting services in the amount of \$15,000 (2004 - \$NIL) for the directors of the Company. At March 31, 2005 \$125,000 was owing to directors (2004 - \$45,000).

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 March 31, 2005 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.

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THREE MONTH PERIOD ENDED MARCH 31, 2005

(UNAUDITED-SEE NOTICE TO READER)

COST OF GOODS SOLD

Purchased materials	\$	534,777
Freight		28,963
Wages & benefits		72,195
Commissions		34,261
	\$	670,196

ADMINISTRATIVE EXPENSES

Consultants	\$	15,000
Insurance		17,151
Utilities		8,528
Wages & benefits		33,733
Miscellaneous		45,510
	\$	119,922

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.**THREE MONTH PERIOD ENDED MARCH 31, 2005****(UNAUDITED-SEE NOTICE TO READER)**

REVENUE	2005	2004
Sale of product	\$ 815,217	\$ 309,704
Freight	28,682	7,259
	\$ 843,899	\$ 316,962