
LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JUNE 30, 2005

NOTICE TO READER

We have compiled the consolidated balance sheet of Les Explosifs Nordex Ltee. / Nordex Explosives Ltd. as at June 30, 2005 and the consolidated 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
July 21, 2005

Ross, Pope & Company.

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2005 AND DECEMBER 31, 2004

(UNAUDITED-SEE NOTICE TO READER)

	JUNE 30 2005	DECEMBER 31 2004
ASSETS		
CURRENT ASSETS		
Cash	\$ 363,269	\$ 194,020
Accounts receivable	500,703	706,109
Inventories (Note 2)	205,309	279,798
Prepaid expenses	7,552	4,979
	1,076,833	1,184,906
DUE FROM RELATED PARTY	-	12,500
PROPERTY, PLANT AND EQUIPMENT (Notes 2 & 3)	649,925	626,912
	\$ 1,726,758	\$ 1,824,318
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 832,282	\$ 990,881
Current portion of long-term debt (Note 4)	41,112	39,264
	873,394	1,030,145
LONG-TERM DEBT (Note 4)	387,225	408,457
	1,260,619	1,438,602
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	1,086,020	1,266,049
OPTIONS	14,660	13,201
CONTRIBUTED SURPLUS	224,064	222,679
DEFICIT	(858,605)	(936,184)
COMMON SHARES IN TREASURY (Note 5)	-	(180,029)
	466,139	385,716
	\$ 1,726,758	\$ 1,824,318

APPROVED BY THE BOARD OF DIRECTORS:

"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

PERIODS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED-SEE NOTICE TO READER)

	2005		2004	
	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30
SALES	\$ 803,748	\$ 1,647,647	\$ 285,836	\$ 637,337
COST OF GOODS SOLD (Schedule 1)	617,499	1,287,696	224,730	524,743
GROSS PROFIT	186,249	359,951	61,106	112,594
EXPENSES				
Administrative (Schedule 1)	117,709	237,631	179,667	257,463
Amortization	11,439	23,312	4,172	7,134
Interest on long-term debt	10,623	21,430	-	-
	139,771	282,373	183,839	264,597
INCOME (LOSS) BEFORE UNDERNOTED	46,478	77,578	(122,733)	(152,003)
Gain on sale of equipment	-	-	1,000	1,000
INCOME(LOSS)	46,478	77,578	(121,733)	(151,003)
DEFICIT, beginning of period	(905,083)	(936,183)	(814,593)	(785,323)
DEFICIT, end of period	\$ (858,605)	\$ (858,605)	\$ (936,326)	\$ (936,326)
EARNINGS(LOSS) PER SHARE	\$ 0.009	\$ 0.014	\$ (0.037)	\$ (0.046)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	5,451,000	5,451,000	6,039,777	6,039,777

See accompanying notes.

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

PERIODS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED-SEE NOTICE TO READER)

	2005		2004	
	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30
OPERATING ACTIVITIES				
INCOME(LOSS)	\$ 46,478	\$ 77,578	\$ (121,733)	\$ (151,003)
ADD ITEMS NOT REQUIRING A CASH OUTLAY				
Amortization	11,439	23,312	4,172	7,134
Gain on sale of equipment	-	-	(1,000)	(1,000)
Stock based compensation	1,422	2,844	1,422	2,844
DECREASE (INCREASE):				
Accounts receivable	87,423	205,406	29,291	(32,891)
Inventory	(40,792)	74,489	(2,021)	(31,105)
Prepaid expenses	(2,572)	(2,572)	-	-
INCREASE (DECREASE):				
Accounts payable	62,721	(158,599)	(52,028)	56,321
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	166,119	222,458	(141,897)	(149,700)
FINANCING ACTIVITIES				
Borrowing of long-term debt	-	-	41,017	41,017
Repayment of long-term debt	(9,784)	(19,384)	(15,221)	(22,449)
Due from shareholders	12,500	12,500	(12,500)	(12,500)
Issuance of common shares	-	-	216,080	266,080
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,716	(6,884)	229,376	272,148
INVESTING ACTIVITIES				
Purchase of capital assets	(20,991)	(46,325)	(50,194)	(54,410)
Proceeds on disposal of capital assets	-	-	1,000	1,000
CASH FLOWS USED IN INVESTING ACTIVITIES	(20,991)	(46,325)	(49,194)	(53,410)
CHANGE IN CASH DURING THE PERIOD	147,844	169,249	38,285	69,038
CASH, beginning of period	215,425	194,020	33,812	3,059
CASH (DEFICIENCY), end of period	\$ 363,269	\$ 363,269	\$ 72,097	\$ 72,097

See accompanying notes.

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 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 CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 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	587,465	268,941	318,524	310,801
Plant, machinery and equipment	380,699	304,819	75,880	71,976
Office equipment and furniture	38,432	25,454	12,978	13,653
Emulsion plant	84,251	-	84,251	57,232
Laboratory equipment	7,475	4,593	2,882	3,032
Mobile equipment	494,356	378,785	115,571	130,379
Totals	\$ 1,632,517	\$ 982,592	\$ 649,925	\$ 626,912

Amortization expense for the three month period amounted to \$11,439 (2004 - \$4,172).

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED-SEE NOTICE TO READER)

4. LONG-TERM DEBT

	2005	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.	\$ 381,784	\$ 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.	31,014	35,581
Loan bearing interest at 10.0% per annum, repayable in blended monthly installments of \$489, secured by a vehicle. Maturing in 2008.	15,539	17,641
	-	-
	428,337	447,721
Current portion	41,112	39,264
	\$ 387,225	\$ 408,457

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

2006	\$ 41,112
2007	45,261
2008	48,631
2009	36,699
2010	39,945
Subsequent to 2010	216,689
	\$ 428,337

5. SHARE CAPITAL

(a) AUTHORIZED

12,000,000 common shares

(b) ISSUED

	2005	2004
5,451,000 common shares	\$ 1,086,020	\$ 1,266,049

COMMON SHARES IN TREASURY

During the quarter 588,777 common shares in treasury were cancelled and the value associated with those shares reduced the common share balance by \$180,029

	\$ -	\$ 180,029
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LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 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, 2007. 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
Options outstanding as at beginning of year	220,000	\$ 0.16
Granted	-	-
Exercised	-	-
Forfeited	(20,000)	0.16
Options outstanding at period end	200,000	\$ 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	1.54	1.54
\$ 0.16	200,000	200,000	1.54	1.54

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED-SEE NOTICE TO READER)

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.

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.**THREE MONTH PERIOD ENDED JUNE 30 AND SIX MONTH PERIOD ENDED JUNE 30, 2005****(UNAUDITED-SEE NOTICE TO READER)**

	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30
COST OF GOODS SOLD		
Materials Purchased	\$ 470,896	\$ 1,005,674
Freight	33,718	62,681
Commissions	38,021	72,282
Wages & benefits	74,864	147,059
	\$ 617,499	\$ 1,287,696
ADMINISTRATIVE EXPENSES		
Consultants	\$ 20,608	\$ 35,608
Insurance	9,554	26,705
Utilities	11,806	20,334
Wages & benefits	33,853	72,086
Miscellaneous	41,888	82,898
TOTAL	\$ 117,709	\$ 237,631

LES EXPLOSIFS NORDEX LTEE. / NORDEX EXPLOSIVES LTD.**SIX MONTH PERIOD ENDED JUNE 30, 2005****(UNAUDITED-SEE NOTICE TO READER)**

REVENUE	2005	2004
Sale of product	\$ 1,578,735	\$ 618,171
Freight	68,750	18,699
Other	162	468
	\$ 1,647,647	\$ 637,337