

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

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**November 8, 2005**

**Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not preformed a review of the interim financial statements, they must be accompanied with a notice indicating that the financial statements have not been reviewed by an auditor.**

**The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.**

**The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.**

***"Andrew Timothy Peterson"***  
**Director**

***"John Kozak"***  
**Director**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005**

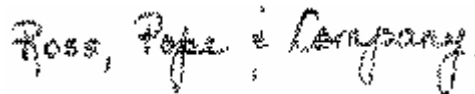
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## **NOTICE TO READER**

We have compiled the consolidated balance sheet of Les Explosifs Nordex Ltee./ Nordex Explosives Ltd. as at September 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. The wife of one of the partners of Ross, Pope and Company has a financial interest in the company. Readers are cautioned that these statements may not be appropriate for their purposes.

Kirkland Lake, Ontario  
October 18, 2005



**ROSS, POPE & COMPANY**  
**CHARTERED ACCOUNTANTS**

**LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.****CONSOLIDATED BALANCE SHEET****AS AT SEPTEMBER 30, 2005 AND DECEMBER 31, 2004****(UNAUDITED-SEE NOTICE TO READER)**

	SEPTEMBER 30 2005	DECEMBER 31 2004
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 458,431	\$ 194,020
Accounts receivable	540,206	706,109
Inventories (Note 2)	257,651	279,798
Prepaid expenses	7,552	4,979
	<b>1,263,840</b>	<b>1,184,906</b>
DUE FROM RELATED PARTY	-	12,500
PROPERTY, PLANT AND EQUIPMENT (Notes 2 & 3)	735,280	626,912
	<b>\$ 1,999,120</b>	<b>\$ 1,824,318</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,064,625	\$ 990,881
Current portion of long-term debt (Note 4)	43,159	39,264
	<b>1,107,784</b>	<b>1,030,145</b>
LONG-TERM DEBT (Note 4)	375,491	408,457
	<b>1,483,275</b>	<b>1,438,602</b>
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	1,086,020	1,266,049
OPTIONS	16,082	13,201
CONTRIBUTED SURPLUS	224,064	222,679
DEFICIT	(810,321)	(936,184)
COMMON SHARES IN TREASURY (Note 5)	-	(180,029)
	<b>515,845</b>	<b>385,716</b>
	<b>\$ 1,999,120</b>	<b>\$ 1,824,318</b>

**APPROVED BY THE BOARD OF DIRECTORS:**

***"Andrew Timothy Peterson"***  
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**ANDREW TIMOTHY PETERSON**  
**DIRECTOR**

***"John C. Kozak"***  
\_\_\_\_\_  
**JOHN C. KOZAK**  
**DIRECTOR**

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

**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

**PERIODS ENDED SEPTEMBER 30, 2005 AND 2004**

**(UNAUDITED-SEE NOTICE TO READER)**

	2005		2004	
	3 MONTH PERIOD ENDED SEPTEMBER 30	9 MONTH PERIOD ENDED SEPTEMBER 30	3 MONTH PERIOD ENDED SEPTEMBER 30	9 MONTH PERIOD ENDED SEPTEMBER 30
SALES	\$ 979,109	\$ 2,626,756	\$ 831,100	\$ 1,469,438
COST OF GOODS SOLD (Schedule 1)	775,134	2,062,829	769,387	1,294,130
GROSS PROFIT	203,975	563,927	61,713	175,308
EXPENSES				
Administrative (Schedule 1)	132,891	370,523	125,466	377,379
Amortization	11,080	34,392	5,626	12,760
Interest on long-term debt	11,720	33,150	3,849	9,400
	155,691	438,065	134,941	399,539
INCOME (LOSS) BEFORE UNDERNOTED	48,284	125,862	(73,228)	(224,231)
<b>INCOME(LOSS)</b>	<b>48,284</b>	<b>125,862</b>	<b>(73,228)</b>	<b>(224,231)</b>
DEFICIT, beginning of period	(858,605)	(936,183)	(936,326)	(785,323)
DEFICIT, end of period	\$ (810,321)	\$ (810,321)	\$(1,009,554)	\$(1,009,554)
EARNINGS(LOSS) PER SHARE	\$ 0.009	\$ 0.023	\$ (0.012)	\$ (0.037)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	5,451,000	5,451,000	6,039,777	6,039,777

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## CONSOLIDATED STATEMENT OF CASH FLOWS

PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED-SEE NOTICE TO READER)

	2005		2004	
	3 MONTH PERIOD ENDED SEPTEMBER 30	9 MONTH PERIOD ENDED SEPTEMBER 30	3 MONTH PERIOD ENDED SEPTEMBER 30	9 MONTH PERIOD ENDED SEPTEMBER 30
<b>OPERATING ACTIVITIES</b>				
<b>INCOME(LOSS)</b>	\$ 48,284	\$ 125,862	\$ (73,228)	\$ (224,231)
ADD ITEMS NOT REQUIRING A CASH OUTLAY				
Amortization	11,080	34,392	5,626	12,760
Gain on sale of equipment	-	-	-	(1,000)
Stock based compensation	1,422	4,266	1,422	4,266
DECREASE (INCREASE):				
Accounts receivable	(39,503)	165,903	(539,895)	(572,786)
Inventory	(52,342)	22,147	(165,270)	(196,375)
Prepaid expenses	-	(2,572)	-	-
INCREASE (DECREASE):				
Accounts payable	232,344	73,745	515,164	571,488
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>201,285</b>	<b>423,743</b>	<b>(256,181)</b>	<b>(405,878)</b>
<b>FINANCING ACTIVITIES</b>				
Borrowing of long-term debt	-	-	419,852	460,869
Repayment of long-term debt	(9,687)	(29,071)	(93,582)	(116,031)
Due from shareholders	-	12,500	-	(12,500)
Issuance of common shares	-	-	-	252,500
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(9,687)</b>	<b>(16,571)</b>	<b>326,270</b>	<b>584,838</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of capital assets	(96,436)	(142,761)	(98,175)	(152,588)
Proceeds on disposal of capital assets	-	-	-	1,000
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(96,436)</b>	<b>(142,761)</b>	<b>(98,175)</b>	<b>(151,588)</b>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>95,162</b>	<b>264,411</b>	<b>(28,086)</b>	<b>27,372</b>
<b>CASH, beginning of period</b>	<b>363,269</b>	<b>194,020</b>	<b>58,517</b>	<b>3,059</b>
<b>CASH (DEFICIENCY), end of period</b>	<b>\$ 458,431</b>	<b>\$ 458,431</b>	<b>\$ 30,431</b>	<b>\$ 30,431</b>

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

**(UNAUDITED-SEE NOTICE TO READER)**

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### 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 SEPTEMBER 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	606,002	271,400	334,602	310,801
Plant, machinery and equipment	380,699	305,768	74,931	71,976
Office equipment and furniture	38,432	25,778	12,654	13,653
Emulsion plant	160,445	-	160,445	57,232
Laboratory equipment	7,475	4,665	2,810	3,032
Mobile equipment	496,061	386,062	109,999	130,379
Totals	\$ 1,728,953	\$ 993,673	\$ 735,280	\$ 626,912

Amortization expense for the three month period amounted to \$11,080 (2004 - \$5,626).

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 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.	\$ 375,623	\$ 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.	28,579	35,581
Loan bearing interest at 10.0% per annum, repayable in blended monthly installments of \$489, secured by a vehicle. Maturing in 2008.	14,448	17,641
	-	-
	418,650	447,721
Current portion	43,159	39,264
	\$ 375,491	\$ 408,457

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

2006	\$ 43,159
2007	46,354
2008	45,940
2009	37,117
2010	40,960
Subsequent to 2010	205,120
	\$ 418,650

### 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 second 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 SEPTEMBER 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 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 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 stock options are outstanding:

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
170,000	16 cents	January 14, 2007

Stock options issued are as follows:

	Number of shares	Weighted average exercise price	2005
Options outstanding as at beginning of year	220,000	\$	0.16
Granted	-		-
Exercised	-		-
Forfeited	(50,000)		0.16
Options outstanding at period end	170,000	\$	0.16
Options exercisable at period end	170,000	\$	0.16

Exercise price	Options outstanding	Options exercisable	Outstanding options	Exercisable options
\$ 0.16	170,000	170,000	1.29	1.29
\$ 0.16	170,000	170,000	1.29	1.29

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**PERIODS ENDED SEPTEMBER 30, 2005 AND 2004**

**(UNAUDITED-SEE NOTICE TO READER)**

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**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 SEPTEMBER 30 AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005**

**(UNAUDITED-SEE NOTICE TO READER)**

	<b>3 MONTH PERIOD ENDED SEPTEMBER 30</b>	<b>9 MONTH PERIOD ENDED SEPTEMBER 30</b>
<b>COST OF GOODS SOLD</b>		
Materials Purchased	\$ 606,701	\$ 1,612,375
Freight	44,627	107,307
Commissions	31,989	104,271
Wages & benefits	91,817	238,876
	<b>\$ 775,134</b>	<b>\$ 2,062,829</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Consultants	\$ 24,443	\$ 60,051
Insurance	18,991	45,696
Utilities	4,571	24,905
Wages & benefits	37,832	109,918
Miscellaneous	47,054	129,953
<b>TOTAL</b>	<b>\$ 132,891</b>	<b>\$ 370,523</b>

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

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<b>REVENUE</b>	<b>2005</b>	<b>2004</b>
Sale of product	<b>\$ 2,512,948</b>	\$ 1,414,752
Freight	<b>113,333</b>	53,919
Other	<b>475</b>	768
	<b>\$ 2,626,756</b>	<b>\$ 1,469,438</b>

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