

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

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

**May 15, 2006**

**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**

**THREE MONTH PERIOD ENDED MARCH 31, 2006**

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# Ross, Pope & Company

*Chartered Accountants*

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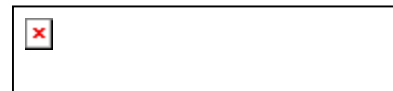
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## **NOTICE TO READER**

We have compiled the consolidated balance sheet of Les Explosifs Nordex Ltee./ Nordex Explosives Ltd. as at March 31, 2006 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  
April 28, 2006



**ROSS, POPE & COMPANY  
CHARTERED ACCOUNTANTS**

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2006 AND DECEMBER 31, 2005

(UNAUDITED-SEE NOTICE TO READER)

	MARCH 31 2006	DECEMBER 31 2005
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 209,248	\$ 354,040
Accounts receivable	847,323	625,579
Inventories (Note 2)	366,357	270,590
	1,422,928	1,250,209
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 3)	887,546	829,511
	<u>\$ 2,310,474</u>	<u>\$ 2,079,720</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,184,157	\$ 1,046,123
Current portion of long-term debt (Note 4)	44,194	43,169
	1,228,351	1,089,292
LONG-TERM DEBT (Note 4)	353,730	365,288
	1,582,081	1,454,580
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	1,086,020	1,086,020
OPTIONS (Note 6)	17,208	16,043
CONTRIBUTED SURPLUS	226,690	226,690
DEFICIT	(601,525)	(703,613)
	728,393	625,140
	<u>\$ 2,310,474</u>	<u>\$ 2,079,720</u>

Contingencies (Note 9)

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)**

	<b>2006</b>	<b>2005</b>
SALES (Schedule 2)	<b>\$ 1,342,761</b>	\$ 843,899
COST OF GOODS SOLD (Schedule 1)	<b>1,002,297</b>	670,196
GROSS PROFIT	<b>340,464</b>	173,703
EXPENSES		
Administrative (Schedule 1)	<b>212,514</b>	119,922
Amortization	<b>15,960</b>	11,873
Interest on long-term debt	<b>9,902</b>	10,807
	<b>238,376</b>	142,602
<b>INCOME</b>	<b>102,088</b>	31,101
DEFICIT, beginning of period	<b>(703,613)</b>	(936,184)
DEFICIT, end of period	<b>\$ (601,525)</b>	\$ (905,083)
BASIC AND DILUTED EARNINGS PER SHARE	<b>\$ 0.0187</b>	\$ 0.0051
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<b>5,451,000</b>	6,039,777

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)**

	<b>2006</b>	<b>2005</b>
<b>OPERATING ACTIVITIES</b>		
<b>INCOME</b>	<b>\$ 102,088</b>	<b>\$ 31,101</b>
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Amortization	<b>15,960</b>	11,873
Stock based compensation	<b>1,165</b>	1,422
DECREASE (INCREASE):		
Accounts receivable	<b>(221,744)</b>	117,982
Inventory	<b>(95,767)</b>	115,281
INCREASE (DECREASE):		
Accounts payable	<b>138,034</b>	(221,319)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<b>(60,264)</b>	56,340
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<b>(10,532)</b>	(9,600)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<b>(10,532)</b>	(9,600)
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<b>(73,996)</b>	(25,335)
CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(73,996)</b>	(25,335)
CHANGE IN CASH DURING THE PERIOD	<b>(144,792)</b>	21,405
CASH, beginning of period	<b>354,040</b>	194,020
CASH, end of period	<b>\$ 209,248</b>	<b>\$ 215,425</b>

See accompanying notes.

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED MARCH 31, 2006 & 2005

**(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, manufacturer and distributor 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 GAAP 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, 2005.

#### (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	5%
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

The customer recognizes sales at the time 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, 2006 & 2005

(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 uses 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. 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 2006	2005
Land and land improvements	\$ 39,839	\$ -	\$ 39,839	\$ 39,839
Buildings	672,157	276,674	395,483	335,489
Plant, machinery and equipment	384,687	307,654	77,033	73,994
Office equipment and furniture	39,122	26,412	12,710	13,037
Emulsion plant	221,045	2,763	218,282	215,740
Laboratory equipment	15,249	5,044	10,205	8,485
Mobile equipment	537,148	403,154	133,994	142,927
<b>Totals</b>	<b>\$ 1,909,247</b>	<b>\$ 1,021,701</b>	<b>\$ 887,546</b>	<b>\$ 829,511</b>

Depreciation expense for the period amounted to \$15,960 (2005 - \$11,873).

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THREE MONTH PERIOD ENDED MARCH 31, 2006 & 2005

(UNAUDITED-SEE NOTICE TO READER)

### 4. LONG-TERM DEBT

	2006	2005
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.	\$ 362,068	\$ 368,976
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.	23,673	26,151
Loan bearing interest at 10% per annum, repayable in blended monthly installments of \$498. As security the company has pledged a vehicle. Maturing in 2008.	12,183	13,330
	<b>397,924</b>	408,457
Current portion	<b>44,194</b>	43,169
	<b>\$ 353,730</b>	\$ 365,288

Approximate principal repayments are as follows:

2007	\$ 44,194
2008	\$ 48,530
2009	\$ 39,204
2010	\$ 38,955
2011	\$ 43,034
Subsequent to 2011	\$ 184,007
	<b>\$ 397,924</b>

### 5. SHARE CAPITAL

(a) AUTHORIZED

12,000,000 common shares

(b) ISSUED

	2006	2005
5,451,000 common shares	\$ 1,086,020	\$ 1,086,020

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THREE MONTH PERIOD ENDED MARCH 31, 2006 & 2005

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

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### 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. The exercise price of each option is based on the closing market price of the Company's common shares on the day the options were issued.

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:

<b>NUMBER OF SHARES</b>	<b>EXERCISE PRICE</b>	<b>EXPIRY DATE</b>
170,000	16 cents	January 14, 2007
125,000	21 cents	November 28, 2010

Stock options issued are as follows:

		<b>2006</b>	
		Number of shares	Weighted average ex
Options outstanding at beginning and at period end		295,000	\$ 0.18
Options exercisable at period end		170,000	0.16

	Exercise price	Options outstanding	Options exercisable	Outstanding options	Exercisable options v
\$	0.16	170,000	170,000	0.46	0.79
	0.21	125,000	NIL	1.98	NIL
\$	0.18	295,000	170,000	2.44	0.79

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.

# LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THREE MONTH PERIOD ENDED MARCH 31, 2006 & 2005

(UNAUDITED-SEE NOTICE TO READER)

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### 6. STOCK OPTIONS (CONT'D)

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	\$0.18

### 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 the quarter ending March 31, 2006, the Company accrued \$15,000 in management and consulting fees for the President and Chairman who are both directors of the Company (quarter ending March 31, 2005 - \$15,000). At March 31, 2006 \$155,000 was owing to the directors (March 31, 2005 - \$125,000).

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.

### 9. CONTINGENCIES

A former supplier has commenced a legal action against the Company for non-payment of its account. The expected settlement has been provided for in the accounts payable of the Company.

### 10. PROFIT SHARING PLAN

During the fiscal year ending December 31, 2005, the Board of Directors approved a Profit Sharing Plan (the "PSP") for the employees, management and directors of the Corporation. The PSP applies to the fiscal years ending December 31, 2006 and 2007. Under the terms of the PSP, if the Company achieves net income before tax (and before PSP amounts owed) in excess of \$163,530 in either of the fiscal years, certain individuals/groups will receive a portion of the amount in excess of this amount as follows:

VP Operations	20.00% of the amount in excess of \$163,500
President	13.33% of the amount in excess of \$163,500
Chairman	6.67% of the amount in excess of \$163,500
Non-management employees in total	5.00% of the amount in excess of \$163,500
All Directors in total	5.00% of the amount in excess of \$163,500

In the quarter ending March 31, 2006, the Company accrued a PSP expense of \$61,205. Any amounts owed under the PSP will not be paid out until after the fiscal year end in which they apply.

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

THREE MONTH PERIOD ENDED MARCH 31, 2006

(UNAUDITED-SEE NOTICE TO READER)

	2006	2005
<b>COST OF GOODS SOLD</b>		
Materials Purchased	\$ 808,133	\$ 534,777
Freight	59,719	28,963
Commissions	35,398	34,261
Wages & benefits	99,047	72,195
	<b>\$ 1,002,297</b>	<b>\$ 670,196</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Consultants	\$ 22,547	\$ 15,000
Insurance	33,974	17,151
Utilities	9,570	8,528
Wages & benefits	101,456	33,733
Miscellaneous	44,967	45,510
<b>TOTAL</b>	<b>\$ 212,514</b>	<b>\$ 119,922</b>

**LES EXPLOSIFS NORDEX LTEE./ NORDEX EXPLOSIVES LTD.****THREE MONTH PERIOD ENDED MARCH 31, 2006****(UNAUDITED-SEE NOTICE TO READER)**

<b>REVENUE</b>	<b>2006</b>	<b>2005</b>
Sale of product	\$ 1,281,627	\$ 815,217
Freight	60,175	28,682
Other	959	-
	<b>\$ 1,342,761</b>	<b>\$ 843,899</b>