

LES EXPLOSIFS NORDEX LTEE/NORDEX EXPLOSIVES LTD.

**INTERIM MANAGEMENT DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations
for the three months ended June 30, 2004**

Dated: August 26, 2004

The following information should be read in conjunction with the Company's unaudited June 30, 2004 and June 30, 2003 and audited December 31, 2003, 2002 and 2001 financial statements and related notes included therein which were prepared in accordance with generally accepted accounting principles in Canada. This discussion includes forward-looking statements that may differ materially from actual results achieved.

The results for the quarter ending June 30, 2004, reflect operations of the Corporation for the three month period commencing April 1, 2004. Comparative financial results are for the quarter commencing April 1, 2003 and ending on June 30, 2003.

Management discussion and analysis is a review of the Corporation's financial condition and results of operation as compared to the corresponding prior year end. This discussion is intended to provide historical and prospective analysis of the activities of the Corporation.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD. (ANordex@) is a Canadian based business incorporated under the laws of the Province of Quebec on August 4, 1970. Nordex trades on the TSX Venture Exchange under the symbol ANXX@. The Corporation manufactures explosives for the mining industry from its manufacturing operations in Dane, Ontario, a small town near Kirkland Lake and just a few miles from the Adams Mine. The Corporation continues to maintain its manufacturing explosives licence in good standing and is researching the possibility of expanding production and offering new explosive products for the mining industry.

Financial Highlights

The following table sets forth certain financial information of the Corporation for the three months ended June 30, 2004 and 2003.

Three Months ended June 30	2004	2003
Total Sales	\$268,551	\$207,637
Cost of Goods Sold	\$224,730	\$190,535
Gross Profit	\$ 43,821	\$ 17,102
Administration Expenses	\$179,667	\$ 73,479
Earnings Before Depreciation and Amortization	(\$135,846)	(\$ 56,377)
Net Income (Loss) for the Period	(\$121,733)	(\$ 43,450)
Net (Loss) Income per Share	(\$ 0.023)	(\$ 0.013)
Cash Provided (used) by Operations	(\$141,897)	(\$ 33,518)
Cash, End of Period	\$ 72,097	\$ 8,620
Long Term Debt	\$ 95,988	\$ 97,562
Total Liabilities	\$430,238	\$274,786
Accounts Receivable	\$189,889	\$ 98,266
Shareholders' Equity	\$396,310	\$260,731
Total Shares Outstanding	6,039,777	3,314,777
(includes 588,777 shares held in treasury)		

Results of Operations

For the quarter ending June 30, 2004 Nordex recorded a net loss of \$121,733 (\$0.023 per common share) compared to a net loss of \$43,540 (\$0.013 per common share) for the quarter ending June 30, 2003, reflected on the weighted average number of shares outstanding. The total number of common shares outstanding as of the quarter end was 6,039,777, including 588,777 common shares held in treasury for cancellation.

For the six month period ending June 30, 2004, Nordex recorded a net loss of \$151,003 (\$0.035) per common share compared to a net loss of \$76,256 (\$0.023) for the six month period ending June 30, 2003.

Revenue

For the quarter ending June 30, 2004, Nordex reported revenues of \$268,551 plus other income of \$17,285 and gain on sale of equipment of \$1,000 compared to \$207,637 plus other income of \$15,579 for the quarter ending June 30, 2003.

For the six month period ending June 30, 2004, Nordex reported revenues of \$611,419, plus other income of \$25,918 and gain on sale of equipment of \$1,000, compared to \$386,406 plus other income of \$27,016 for the six month period ending June 30, 2004.

Management anticipates continued growth in revenues, and is seeking to increase its product lines and product offerings, in order to attract larger customers in the mining and construction industries. Management is of the opinion that in order to obtain large orders from new customers, it will be necessary to offer a full product line of explosive products, as larger users of explosive products have indicated they wish to deal a limited number of suppliers. Sales to larger users of explosive products have, in the past, been restricted as Nordex has not been able to offer a full product line.

Cost of Goods Sold

Due to the increased sales of products the Cost of Goods Sold increased to \$224,730 for the quarter ending June 30, 2004, compared to \$190,535 for the quarter ending June 30, 2003. The gross margin was 16.31% for the quarter ending June 30, 2004 compared to 8.24% for the quarter ending June 30, 2003. The most significant component of Cost of Goods Sold were the costs of materials purchased totalling \$165,594. Shipping and freight costs were \$15,979 and wages and benefits related to manufacturing of products were \$43,157.

For the six months ending June 30, 2004, Cost of Goods Sold were \$524,743, compared to \$341,809 for the comparative period ending June 30, 2003.

Administrative Expenses

Administrative expenses include sales, marketing, customer support, finance and executive personnel, professional services, office and occupancy costs required to manage the Corporation. Cost for the quarter ending June 30, 2004 were \$179,667 compared to \$73,479 for the quarter ending June 30, 2003, including \$32,167 paid to consultants, \$11,038 for insurance, \$9,646 for utilities and \$64,416 for wages and benefits for administrative purposes.

For the six months ending June 30, 2004, administrative expenses were \$257,463, compared to \$142,410 for the comparative period ending June 30, 2003.

Provision for Income Taxes

As of December 31, 2003, the corporation had available non-capital loss carry-forwards for tax purposes in the amount of \$1,342,000, which may be carried forward and be used to reduce taxable income of future years, as set out in the notes to the financial statements. These carryforwards expire as set out in the notes to the December 31, 2003 statements. In addition, the Corporation has earned non-refundable investment tax credits amounting to

approximately \$93,000 that can be applied to reduce future federal income taxes payable. These credits expire as set out in the notes. The benefit of these loss carry-forwards and investment tax credits will be recorded when realized.

Retained Earnings

Retained Earnings decreased to (\$936,326 as of June 30, 2004 from (\$785,223) for the fiscal year ending December 31, 2003 reflecting the net loss for the six month period

RISK FACTORS

The Corporation's business is subject to many risks and uncertainties which may affect its future performance. The risks and uncertainties described below are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes are immaterial may also materially and adversely impair its business operations. The information below and information contained in publicly available information in respect of the Corporation may contain forward-looking statements that involve risks and uncertainties. All such forward-looking statements are naturally speculative and there are numerous risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

Reliance on Existing Product in Static Market

For the foreseeable future, the Corporation's revenues will be derived entirely from existing products. Demand for existing products will be affected by many factors, many of which are beyond the Corporation's control, including the general level of mining and quarrying and competition within the explosives industry. No assurance can be given that other companies will not enter the market in which the Corporation competes or that the Corporation will have the resources required to compete successfully in the future.

Dependence on Suppliers and Manufacturers

The Corporation sources its raw materials primarily from suppliers in North America. The Corporation integrates and/or assembles certain components at its facilities. The Corporation believes that it could replace any of its suppliers, manufacturers or assemblers within a short period of time and without material adverse impact on the Corporation's business.

Dependence on Significant Customers

A significant percentage of Nordex's historical revenues has been attributable to installations to a relatively small number of major customers. There can be no assurance that such customers will continue to use the Corporation's products and services. The failure of Nordex's current customers to continue to utilize the Corporation's products could have a material adverse effect on the Corporation. In addition, customers who account for significant portions of the Corporation's revenues may have the ability to negotiate prices for the Corporation's products that are more favourable and could result in lower profit margins for the Corporation.

Ability to Manage Growth

If the Corporation obtains significant orders from large customers, the Corporation will experience rapid growth, which in turn will place significant pressure on the Corporation's managerial, operational and financial condition. The Corporation will also be required to develop and manage multiple relationships with various customers, business partners and other third parties. The Corporation's systems, procedures or controls may not be adequate

to support the Corporation's operations and Corporation management may not be able to achieve the rapid expansion necessary to exploit potential market opportunities for the Corporation's products and services. The Corporation's future operating results will also depend on its ability to expand its sales and marketing to implement and manage new distribution channels, to penetrate new markets and to expand its support organization.

Reliance on Management

The Corporation's business involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Purchasers of the Corporation's securities must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. An investment in the Corporation's securities is suitable for investors who are willing to rely solely upon the management of the Corporation and who could afford a total loss of their investment.

Key Personnel

The success of the Corporation is dependent upon, among other things, the services of key personnel. The loss of any of these individuals, for any reason, could have a material adverse effect on the prospects of the Corporation. In addition, the future success of the Corporation will depend in large part on its ability to attract and retain qualified technical, managerial and marketing personnel and there can be no assurance that such personnel can be attracted and retained. Failure to retain or to attract and retain additional key employees with necessary skills could have a material adverse impact upon the Corporation's growth and profitability. The Corporation does not maintain key man insurance for all of its directors, officers or employees. The contributions of these individuals to the immediate future operations of the Corporation is likely to be of central importance and the loss of any one of these individuals could have a material adverse effect of the business of the Corporation. The Corporation's current team of personnel may not include individuals with sufficient technical expertise to carry out certain of the Corporation's stated objectives. There can be no assurance that suitably qualified personnel can be hired.

Directors and Officers Conflicts

The Directors and officers of the Corporation will only devote part of their time to the affairs of the Corporation. Certain directors of the Corporation are associated with other businesses. Such associations may give rise to conflicts of interest from time to time

Delays in Implementing Business Plan

The Corporation may experience a delay in developing and marketing its products and services. This may result in a delay in the Corporation generating revenues which in turn may have an adverse effect on the Corporation's ability to pay dividends and the value of the Corporation's securities.

Additional Financing Requirements

If the Corporation is unable to implement its business plan utilizing its current financial resources, the Corporation may require additional financing to continue to carry on business. No assurance can be given that such financing will be available on commercially reasonable terms. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. If additional financing is raised by the issuance of shares issued from the treasury of the Corporation, control of the corporation may change and shareholders may suffer dilution.

Regulatory Approvals

The Corporation may be required to obtain the discretionary approval of various securities regulators in the course of carrying on its business. The failure to obtain such approvals may adversely affect the Corporation's conduct of its business. The explosives manufacturing industry is regulated at both the provincial and federal levels. There can

be no assurance that the regulatory environment in which the Corporation operates will not change in the future. The laws and regulations of all provinces in which the Corporation intends to operate do impact the Corporation's operations, but do not currently materially restrict the Corporation's operations in those provinces. In connection with its operations in existing markets and expansion into new markets, The Corporation may become subject to

additional laws, regulations and interpretations. The ability of The Corporation to operate profitably will depend, in part, upon its ability to operate in compliance with applicable regulations.

Negative Cash Flow and Absence of Profits

There is no assurance that the Corporation will earn profits in the future, or that profitability, if achieved, will be sustained. The success of the Corporation will ultimately depend on its ability to generate revenues from its sales of its products and services, such that its business development and marketing activities may be financed by revenues from operations instead of external financing. There is no assurance that future revenues will be sufficient to generate the required funds to continue the Corporation's business development and marketing activities.

Market for Securities

The Common Shares are listed for trading on the TSX Venture Exchange. However, there is no assurance that an active trading market in the Common Shares will be sustained. Purchasers may not be able to dispose of the Common Shares or Warrants on a timely basis or at all. The market price for the Common Shares could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, activities by competitors of the Corporation, as well as market conditions in the securities industry, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations which have often been unrelated to the operating performance of particular companies.

Competition

The Corporation must compete with a number of other companies which have substantially greater technical, personnel and financial resources, longer operating histories, greater name recognition and larger customer bases. This competition could materially adversely affect the Corporation's business, operating results or financial condition. The market for the Corporation's products is highly competitive. There can be no assurance that The Corporation will be able to continue to compete successfully with its existing competitors or will be able to compete successfully with new competitors. It will be necessary for The Corporation to develop its technological and personnel resources in order to promote and enhance development of its business. It may be necessary for The Corporation to raise additional financing to support and grow in these areas and there is no assurance The Corporation will be able to raise funds for this purpose.

SELECTED ANNUAL INFORMATION

The following table sets forth certain financial information of the Corporation for the twelve months ended December 31, 2003, 2002 and 2001.

Twelve Months ended December 31	2003	2002⁽¹⁾	2001⁽¹⁾
Total Revenues	\$905,277	\$754,804	\$388,350
Cost of Goods Sold	\$774,829	\$613,840	\$316,931
Gross Profit	\$130,448	\$140,964	\$ 71,419
General Administration and Marketing Expense	\$246,197	\$270,426	\$231,291
Earnings Before Interest, Taxes, Depreciation and Amortization	(\$47,959)	(\$129,462)	(\$159,972)
Net Income (Loss) for the Period	(\$64,726)	(\$104,895)	(\$169,785)
Net (Loss) Income per Share	(\$0.02)	(\$0.032)	(\$0.051)
Cash Provided (used) by Operations	\$ 4,266	(\$117,588)	(\$ 138,506)
Cash, End of Period	\$ 3,059	\$ 6,326	\$ 75,707
Long Term Debt	\$ 82,203	\$ 64,646	\$ 0

Total Liabilities	\$355,349	\$272,391	\$ 59,204
Accounts Receivable	\$156,998	\$195,639	\$ 70,215
Shareholders' Equity	\$278,939	\$336,987	\$440,447
Total Shares Outstanding (includes 588,777 shares held in treasury for cancellation)	3,314,777	3,314,777	3,314,777

Notes (1) Certain of the comparative figures have been restated to conform with current financial presentation.

All financial data contained in this Management Discussion and Analysis has been prepared in accordance with Canadian generally accepted accounting principles

SUMMARY OF QUARTERLY RESULTS

The following table summarizes information pertaining to the operations of the Corporation on a quarterly basis for the eight quarters ending June 30, 2004. The quarter ending in December of each year may contain year end adjustments. Certain of the comparative figures have been restated to conform with current financial presentation.

Quarter Ended	Revenue (Sales)	Income (Loss)	Income (Loss) Per Share	Total Assets	Total Long Term Financial Liabilities
2004					
June 30	\$268,551	(\$121,733)	(\$0.023)	\$826,548	\$ 95,988
March 31	\$342,868	(\$29,270)	(\$0.0077)	\$757,011	\$104,948
2003					
December 31	\$209,187	\$ 24,990	\$0.008	\$633,738	\$82,203
September 30	\$298,247	(\$11,085)	(\$0.003)	\$575,729	\$89,989
June 30	\$207,637	(\$43,540)	(\$0.013)	\$535,517	\$97,562
March 31	\$190,206	(\$32,716)	(\$0.0099)	\$579,654	\$105,689
2002					
December 31	\$161,866	(\$100,346)	(\$0.03)	\$609,378	\$64,646
September 30	\$315,235	\$51,757	\$0.016	\$821,330	\$69,300

LIQUIDITY AND CAPITAL RESOURCES

During the quarter ending June 30, 2004 the Corporation's near-cash position and short-term deposits increased to \$72,097 mto \$3,059 as of December 31, 2004. Accounts receivable increased to \$189,889 as of June 30, 2004 from \$156,998 at December 31, 2003.

During the fiscal year ended December 31, 2003, the Corporation obtained a working capital loan in the amount of \$56,000 from the Kirkland & District Community Business Association. The loan is repayable in 60 monthly

payments of \$1,205 and bears interest at 10% per annum, and matures in January, 2008. As security, the Corporation has provided a General Security Agreement forming a charge on all machinery, equipment, fixtures and accounts receivable. The loan is payable on demand. The Corporation has arranged a new working capital loan in the amount of \$400,000.00 from the Kirkland & District Community Business Association, which loan transaction is expected to be completed by the end of August, 2004. The loan bears interest at the rate of 10% per annum, calculated monthly, and is amortized over 120 months, with a twelve month term. Proceeds of the loan will be used to retire existing long term debt of approximately \$93,000.00, and to finance the purchase of equipment for the Corporation's new emulsions plant.

Management is concerned that the Corporation's financial reserves and funds provided by ongoing operations may not be adequate to support its short term needs. In order to achieve its long term growth strategy, additional sources of capital may be required. If so, it is the Corporation's intention to finance future growth through equity or debt offerings.

The ability of the Corporation to continue as a going concern is dependent upon achieving profitable operations and having sufficient cash flow from operations or asset disposals to meet its obligations as they become due. Management is currently exploring ways to reduce overhead expenses and to raise additional capital for working capital purposes and to continue expanding the Corporation.

Management believes its financial reserves and funds provided by ongoing operations are adequate to support its short term needs. In order to achieve its long term growth strategy, additional sources of capital may be required. If so, it is the corporation's intention to finance future growth through equity or debt offerings. In management's opinion, Nordex is well poised to continue its growth in the future and has adequate means, both internally and via outside banking support to finance future growth.

OUTSTANDING SHARE DATA

The following table sets forth the capitalization of the corporation at June 30, 2004:

Designation of Security	Authorized	Outstanding as at June 30, 2004
Common shares	6,000,000	5,451,000 (see note 1)

Note 1: The Corporation is authorized to issue 6,000,000 common shares, without nominal or par value. The company has, in addition to the 5,451,000 shares outstanding as of June 30, 2004, 588,777 shares held in treasury for cancellation. On April 28, 2004, the Corporation completed a private placement of 2,725,000 common shares at a price of \$0.10 per share for proceeds to the Corporation of \$272,500.00 before costs and expenses related thereto. At the end of the previous quarter, ending March 31, 2004, the company had 3,314,777 issued shares, including the 588,777 shares held in treasury for cancellation. The holders of common shares are entitled to one vote for each share held.

At its annual meeting of shareholders on June 28, 2004, shareholders approved a by-law of the Board of Directors of the Corporation to increase the authorized capital of the corporation to a maximum number of 12,000,000 common shares that may be issued for a maximum consideration of \$48,000,000. The Corporation must apply for supplementary letters patent within six months of the approval of the by-law by shareholders in increase the authorized capital, otherwise the by-law will be of no force and effect. The Corporation is in the process of applying for supplementary letters patent.

To the best of the knowledge of our directors and officers, as of August 25, 2004, the only persons who beneficially own directly or indirectly, or exercise control or direction over common shares carrying more than 10% of the votes attached to all of the issued and outstanding common shares are:

	<u>Number of shares</u>	<u>Percentage</u>
Elie J. Doumet Canada Ltd. Vancouver, B.C. V6C 1H2	556,377	10.20%
A. Timothy Peterson Mississauga, Ontario	1,074,000	19.70%
Jacques Levesque Point Edward, Ontario	835,700	15.33%

OTHER INFORMATION

Additional Information relating to the Company is available on SEDAR at www.sedar.com.