

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

August 24, 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

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTH PERIOD ENDED JUNE 30, 2006



NOTICE TO READER

We have compiled the consolidated balance sheet of Les Explosifs Nordex Ltee./Nordex Explosives Ltd. as at June 30, 2006 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
August 10, 2006

Ross, Pope & Company

**ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS**

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.**CONSOLIDATED BALANCE SHEET**

AS AT JUNE 30, 2006 AND DECEMBER 31, 2005

(UNAUDITED-SEE NOTICE TO READER)

	JUNE 30 2006	DECEMBER 31 2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 163,902	\$ 354,040
Accounts receivable	764,715	625,579
Inventories (Note 2)	333,582	270,590
	1,262,199	1,250,209
PROPERTY, PLANT AND EQUIPMENT (Notes 2 & 3)	970,258	829,511
	\$ 2,232,457	\$ 2,079,720
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,068,052	\$ 1,046,123
Current portion of long-term debt (Note 4)	45,261	43,169
	1,113,313	1,089,292
LONG-TERM DEBT (Note 4)	342,074	365,288
	1,455,387	1,454,580
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	1,086,020	1,086,020
OPTIONS	18,373	16,043
CONTRIBUTED SURPLUS	226,690	226,690
DEFICIT	(554,013)	(703,613)
	777,070	625,140
	\$ 2,232,457	\$ 2,079,720

Contingencies (Note 9)

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, 2006 AND 2005

(UNAUDITED-SEE NOTICE TO READER)

	2006		2005	
	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	\$ 1,002,570	\$ 2,345,331	\$ 803,748	\$ 1,647,647
COST OF GOODS SOLD (Schedule 1)	757,921	1,760,772	617,499	1,287,696
GROSS PROFIT	244,649	584,559	186,249	359,951
EXPENSES				
Administrative (Schedule 1)	170,084	382,599	117,709	237,631
Amortization	16,807	32,767	11,439	23,312
Interest on long-term debt	9,679	19,593	10,623	21,430
	196,570	434,959	139,771	282,373
INCOME	48,079	149,600	46,478	77,578
DEFICIT, beginning of period	(703,613)	(703,613)	(905,083)	(936,183)
DEFICIT, end of period	\$ (655,534)	\$ (554,013)	\$ (858,605)	\$ (858,605)
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.009	\$ 0.027	\$ 0.009	\$ 0.014
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	5,451,000	5,451,000	5,451,000	5,451,000

See accompanying notes.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

PERIODS ENDED JUNE 30, 2006 AND 2005

(UNAUDITED-SEE NOTICE TO READER)

	2006		2005	
	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	\$ 48,079	\$ 149,600	\$ 46,478	\$ 77,578
ADD ITEMS NOT REQUIRING A CASH OUTLAY				
Amortization	16,807	32,767	11,439	23,312
Stock based compensation	1,165	2,330	1,422	2,844
DECREASE (INCREASE):				
Accounts receivable	82,608	(139,136)	87,423	205,406
Inventory	32,775	(62,992)	(40,792)	74,489
Prepaid expenses	-	-	(2,572)	(2,572)
INCREASE (DECREASE):				
Accounts payable	(116,671)	21,929	62,721	(158,599)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	64,763	4,498	166,119	222,458
FINANCING ACTIVITIES				
Repayment of long-term debt	(10,589)	(21,122)	(9,784)	(19,384)
Due from shareholders	-	-	12,500	12,500
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	(10,589)	(21,122)	2,716	(6,884)
INVESTING ACTIVITIES				
Purchase of capital assets	(99,520)	(173,514)	(20,991)	(46,325)
CASH FLOWS USED IN INVESTING ACTIVITIES	(99,520)	(173,514)	(20,991)	(46,325)
CHANGE IN CASH DURING THE PERIOD	(45,346)	(190,138)	147,844	169,249
CASH, beginning of period	209,248	354,040	215,425	194,020
CASH (DEFICIENCY), end of period	\$ 163,902	\$ 163,902	\$ 363,269	\$ 363,269

See accompanying notes.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2006 AND 2005

(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, 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	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

The Company 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 CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2006 AND 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 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 2006	2005
Land and land improvements	\$ 39,839	\$ -	\$ 39,839	\$ 39,839
Buildings	748,555	281,042	467,513	335,489
Plant, machinery and equipment	391,943	308,645	83,298	73,994
Office equipment and furniture	41,829	26,806	15,023	13,037
Emulsion plant	234,000	4,643	229,357	215,740
Laboratory equipment	15,453	5,286	10,167	8,485
Mobile equipment	537,148	412,087	125,061	142,927
Totals	\$ 2,008,767	\$ 1,038,509	\$ 970,258	\$ 829,511

Amortization expense for the three month period amounted to \$16,807 (2005 - \$11,439).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2006 AND 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.	\$ 355,182	\$ 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.	21,145	26,151
Loan bearing interest at 10.0% per annum, repayable in blended monthly installments of \$498, secured by a vehicle. Maturing in 2008.	11,008	13,330
	387,335	408,457
Current portion	45,261	43,169
	\$ 342,074	\$ 365,288
Approximate principal repayments required over the next four years are as follows:		
2007		\$ 45,261
2008		45,261
2009		49,421
2010		35,987
2011		39,945
Subsequent to 2011		171,460
		\$ 387,335

5. SHARE CAPITAL

(a) AUTHORIZED

12,000,000 common shares

(b) ISSUED

5,451,000 common shares

2006

2005

\$1,086,020

\$1,086,020

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2006 AND 2005

(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. 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:

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

Stock options issued are as follows:

				2006	
				Number of shares	Weighted average exercise
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
\$	0.16	170,000	170,000	0.31	0.54
	0.21	125,000	NIL	1.87	NIL
\$	0.16	295,000	170,000	2.18	0.54

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, 2006 AND 2005

(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 due to the short-term maturities of these instruments. The carrying amount of the net long-term liabilities approximates fair value as the company's current rate of borrowing is not materially different from the long-term debt rates.

8. RELATED PARTY TRANSACTIONS

During the quarter ending June 30, 2006, the Company accrued a total of \$15,000 in management and consulting fees for the President and Chairman who are both directors of the Company (quarter ending June 30, 2005 - \$15,000). At June 30, 2006 \$140,000 was owing to the directors (June 30, 2005 - \$135,000).

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 June 30, 2006, the Company accrued a PSP expense of \$7,196 (quarter ending March 31, 2006 - \$61,205). Any amounts owed under the PSP will not be paid out until after the fiscal year end in which they apply.

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THREE MONTH PERIOD ENDED JUNE 30 AND SIX MONTH PERIOD ENDED JUNE 30, 2006

(UNAUDITED-SEE NOTICE TO READER)

	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30
COST OF GOODS SOLD		
Materials Purchased	\$ 588,426	\$ 1,404,617
Freight	46,233	105,952
Commissions	34,009	69,407
Wages & benefits	89,253	180,796
	\$ 757,921	\$ 1,760,772
ADMINISTRATIVE EXPENSES		
Consultants	\$ 28,081	\$ 55,129
Insurance	23,596	57,570
Utilities	7,250	16,820
Wages & benefits	54,110	151,066
Miscellaneous	57,047	102,014
TOTAL	\$ 170,084	\$ 382,599

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

THREE MONTH PERIOD ENDED JUNE 30 AND SIX MONTH PERIOD ENDED JUNE 30, 2006

(UNAUDITED-SEE NOTICE TO READER)

	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30
REVENUE		
Sale of product	\$ 967,198	\$ 2,248,825
Freight	35,372	95,547
Other	-	959
	\$ 1,002,570	\$ 2,345,331