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

**CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTH PERIOD ENDED MARCH 31, 2007**

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

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

May 23, 2007

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed 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

**NOTICE TO READER**

We have compiled the consolidated balance sheet of Les Explosifs Nordex Ltee./Nordex Explosives Ltd. as at March 31, 2007 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  
May 23, 2007

*Ross, Pope & Company*

**ROSS, POPE & COMPANY**  
**CHARTERED ACCOUNTANTS**  
Licensed Public Accountants

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2007 AND DECEMBER 31, 2006

(UNAUDITED-SEE NOTICE TO READER)

	MARCH 31 2007	DECEMBER 31 2006
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 172,326	\$ 57,559
Accounts receivable	1,269,236	1,027,908
Inventories (Note 2)	399,026	313,949
Prepaid expenses	19,367	-
	<b>1,859,955</b>	<b>1,399,416</b>
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 3)	<b>1,119,759</b>	<b>1,043,718</b>
	<b>\$ 2,979,714</b>	<b>\$ 2,443,134</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,516,748	\$ 1,118,050
Current portion of long-term debt (Note 4)	43,162	42,206
	<b>1,559,910</b>	<b>1,160,256</b>
LONG-TERM DEBT (Note 4)	<b>303,265</b>	<b>314,513</b>
	<b>1,863,175</b>	<b>1,474,769</b>
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	1,140,236	1,129,681
OPTIONS (Note 6)	4,313	6,386
CONTRIBUTED SURPLUS	226,690	226,690
DEFICIT	(254,700)	(394,392)
	<b>1,116,539</b>	<b>968,365</b>
	<b>\$ 2,979,714</b>	<b>\$ 2,443,134</b>

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>2007</b>	<b>2006</b>
SALES (Schedule 1)	<b>\$ 1,622,282</b>	\$ 1,342,761
COST OF GOODS SOLD (Schedule 1)	<b>1,245,580</b>	1,002,297
GROSS PROFIT	<b>376,702</b>	340,464
EXPENSES		
Administrative (Schedule 1)	<b>211,445</b>	212,514
Amortization	<b>16,711</b>	15,960
Interest on long-term debt	<b>8,854</b>	9,902
	<b>237,010</b>	238,376
<b>INCOME</b>	<b>139,692</b>	102,088
DEFICIT, beginning of period	<b>(394,392)</b>	(703,613)
DEFICIT, end of period	<b>\$ (254,700)</b>	\$ (601,525)
BASIC AND DILUTED EARNINGS PER SHARE	<b>\$ 0.0248</b>	\$ 0.0187
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	<b>5,637,852</b>	5,451,000

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>2007</b>	<b>2006</b>
<b>OPERATING ACTIVITIES</b>		
<b>INCOME</b>	<b>\$ 139,692</b>	<b>\$ 102,088</b>
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Amortization	<b>16,711</b>	15,960
Stock based compensation	<b>1,649</b>	1,165
DECREASE (INCREASE):		
Accounts receivable	<b>(241,328)</b>	(221,744)
Inventory	<b>(85,077)</b>	(95,767)
Prepaid expenses	<b>(19,367)</b>	-
INCREASE (DECREASE):		
Accounts payable	<b>398,698</b>	138,034
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>210,978</b>	<b>(60,264)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<b>(10,292)</b>	(10,532)
Net proceeds from issuance of capital stock	<b>6,833</b>	-
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>(3,459)</b>	<b>(10,532)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<b>(92,752)</b>	(73,996)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(92,752)</b>	<b>(73,996)</b>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>114,767</b>	<b>(144,792)</b>
<b>CASH, beginning of period</b>	<b>57,559</b>	<b>354,040</b>
<b>CASH, end of period</b>	<b>\$ 172,326</b>	<b>\$ 209,248</b>

See accompanying notes.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED MARCH 31, 2007 & 2006

**(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 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, 2006.

#### (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%
Plant, machinery and equipment	5%
Office equipment and furniture	10%
Laboratory equipment	10%
Mobile equipment	25%

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, 2007 & 2006

(UNAUDITED-SEE NOTICE TO READER)

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### 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 2007	2006
Land and land improvements	\$ 45,094	\$ -	\$ 45,094	\$ 45,094
Buildings	863,511	291,016	572,495	520,534
Plant, machinery and equipment	679,923	326,908	353,015	332,398
Office equipment and furniture	43,465	27,998	15,467	15,858
Laboratory equipment	15,453	6,003	9,450	9,689
Mobile equipment	563,812	439,574	124,238	120,145
Totals	\$ 2,211,258	\$ 1,091,499	\$ 1,119,759	\$ 1,043,718

Depreciation expense for the period amounted to \$16,711 (2006 - \$15,960).

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

THREE MONTH PERIOD ENDED MARCH 31, 2007 & 2006

(UNAUDITED-SEE NOTICE TO READER)

### 4. LONG-TERM DEBT

	2007	2006
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.	\$ 333,173	\$ 340,783
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.	13,254	15,936
	<b>346,427</b>	356,719
Current portion	<b>43,162</b>	42,206
	<b>\$ 303,265</b>	\$ 314,513
Approximate principal repayments are as follows:		
2008		\$ 43,162
2009		\$ 37,270
2010		\$ 38,955
2011		\$ 43,034
2012		\$ 47,512
Subsequent to 2012		\$ 136,494
		<b>\$ 346,427</b>

### 5. SHARE CAPITAL

#### (a) AUTHORIZED

12,000,000 common shares

#### (b) ISSUED

	2007	2006
5,659,333 common shares	\$ 1,140,236	\$ 1,129,681

During the period 33,333 options were exercised for proceeds of \$6,833. The black-scholes value associated with the options exercised (\$3,722) was also transferred to common shares.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

THREE MONTH PERIOD ENDED MARCH 31, 2007 & 2006

**(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. 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
86,667	21 cents	November 28, 2010
35,000	50 cents	December 14, 2011

Stock options issued are as follows:

	2007	
	Number of shares	Weighted average exercise price
Options outstanding as at beginning of period	155,000	\$ 0.27
Exercised	(33,333)	0.21
Options exercisable at period end	121,667	0.29

  

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average contractual life (years)	Exercisable options weighted average contractual life (years)
\$ 0.21	86,667	86,667	2.61	2.61
0.50	35,000	35,000	1.35	1.35
\$ 0.29	121,667	121,667	3.97	3.97

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, 2007 & 2006

**(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	\$0.29

### 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, 2007, the Company accrued \$NIL in management and consulting fees for the President and Chairman who are both directors of the Company (quarter ending March 31, 2006 - \$15,000). At March 31, 2007 \$98,920 was owing to the directors (March 31, 2006 - \$155,000).

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. SUBSEQUENT EVENTS

(1) The Company has negotiated two new loans with the Business Development Bank of Canada (the "BDC"). The first loan agreement is a term loan in the amount of \$400,000 (the "BDC Term Loan") and the second loan agreement is a working capital loan in the amount of \$400,000 (the "BDC Working Capital Loan"). Interest is paid monthly on the outstanding principal at a rate of 8.2%. The interest rate on the loan may reduce if Nordex achieves certain financial ratios in subsequent years. The BDC Term Loan and BDC Working Capital Loan are secured by a general security agreement over the Corporation's assets and mortgages over the Corporation's real property assets. \$400,000 of funds under the BDC Term Loan were advanced to the Corporation on April 23, 2007. No amounts under the BDC Working Capital Loan have been advanced to the Corporation.

(2) The Company has entered into a agreement with the Canadian Imperial Bank of Commerce ("CIBC") for CIBC to provide an operating line of credit (the "Agreement"). Under the terms of the Agreement, the CIBC will provide a revolving line of credit for the lesser of \$500,000 or 75% of Nordex Explosives accounts receivable at the end of each month. The interest rate is the CIBC Prime Rate plus 0.50% and interest is payable monthly. The operating line of credit is provided for general business purposes and is secured by the current assets of Nordex Explosives including cash, accounts receivable and inventory.

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

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

**THREE MONTH PERIOD ENDED MARCH 31, 2007 & 2006**

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### **9. SUBSEQUENT EVENTS (CONT'D)**

(3) At the annual meeting held on May 17, 2007 John Kozak, President and Chief Executive Officer of the Corporation, announced that the Board of Directors of the Corporation had made a decision immediately prior to the Meeting that the Corporation's Profit Sharing Plan would be terminated retroactively to January 1, 2007, and that the salaries and compensation plans of Mr. Kozak and Mr James Taylor, the Chief Operating Officer and VP Operations of the Corporation would be reviewed by the Compensation Committee of the Board of Directors, with any adjustments to their salaries and compensation to be retroactive to January 1, 2007. \$35,000 has been accrued during the period for possible adjustments to management salaries and staff bonuses effective January 1, 2007.

(4) Shareholders also approved a resolution authorizing the Corporation to establish a new Stock Option Plan, which allows the granting of stock options to directors, employees, management and consultants up to an aggregate amount of 300,000 options, in addition to the currently outstanding 121,667 options issued under the Corporation's existing Stock Option Plan approved by shareholders on June 15, 2001. Implementation of the new Stock Option Plan is subject to the receipt of necessary regulatory approvals by the Corporation, and the exercise price of any options granted under the plan will be not less than the Discounted Market Price of the common shares of the Corporation at the date of the granting of any options, or such other price as may be determined under the applicable rules and regulations of all regulatory authorities to which the Corporation is subject, including the TSX Venture Exchange.

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

THREE MONTH PERIOD ENDED MARCH 31, 2007

(UNAUDITED-SEE NOTICE TO READER)

<b>REVENUE</b>	<b>2007</b>	<b>2006</b>
Sale of product	\$ 1,526,595	\$ 1,281,627
Freight	86,795	60,175
Other	8,892	959
	<b>\$ 1,622,282</b>	<b>\$ 1,342,761</b>

<b>COST OF GOODS SOLD</b>	<b>2007</b>	<b>2006</b>
Materials Purchased	\$ 1,003,305	\$ 808,133
Freight	55,954	59,719
Commissions	47,095	35,398
Wages & benefits	139,226	99,047
	<b>\$ 1,245,580</b>	<b>\$ 1,002,297</b>

<b>ADMINISTRATIVE EXPENSES</b>	<b>2007</b>	<b>2006</b>
Consultants	\$ 2,470	\$ 22,547
Insurance	25,609	33,974
Utilities	12,797	9,570
Wages & benefits	96,238	101,456
Professional fees	32,808	13,375
Public company expenses	12,909	5,782
Miscellaneous	28,614	25,810
<b>TOTAL</b>	<b>\$ 211,445</b>	<b>\$ 212,514</b>