

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

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

**August 22, 2007**

**Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated 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 consolidated 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 consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated 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**

**SIX MONTH PERIOD ENDED JUNE 30, 2007**

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## **NOTICE TO READER**

On the basis of information provided by management, we have compiled the consolidated balance sheet of Les Explosifs Nordex Ltee./Nordex Explosives Ltd. as at June 30, 2007 and the consolidated statements of operations and deficit and cash flow for the six month period then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Kirkland Lake, Ontario  
August 22, 2007

*Ross, Pope & Company*

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

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2007 AND DECEMBER 31, 2006

(UNAUDITED-SEE NOTICE TO READER)

	JUNE 30 2007	DECEMBER 31 2006
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 141,137	\$ 57,559
Accounts receivable	1,009,649	1,027,908
Inventories (Note 2)	956,663	313,949
Prepaid expenses	12,052	-
	2,119,501	1,399,416
PROPERTY, PLANT AND EQUIPMENT (Notes 2 & 3)	1,358,869	1,043,718
	\$ 3,478,370	\$ 2,443,134
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,650,373	\$ 1,118,050
Current portion of long-term debt (Note 4)	88,391	42,206
	1,738,764	1,160,256
LONG-TERM DEBT (Note 4)	519,855	314,513
	2,258,619	1,474,769
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	1,140,236	1,129,681
OPTIONS (Note 6)	5,962	6,386
CONTRIBUTED SURPLUS	226,690	226,690
DEFICIT	(153,137)	(394,392)
	1,219,751	968,365
	\$ 3,478,370	\$ 2,443,134

Contingencies

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, 2007 AND 2006

(UNAUDITED-SEE NOTICE TO READER)

	2007		2006	
	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	\$ 1,781,120	\$ 3,403,402	\$ 1,002,570	\$ 2,345,331
COST OF GOODS SOLD (Schedule 1)	1,372,277	2,617,857	757,921	1,760,772
GROSS PROFIT	408,843	785,545	244,649	584,559
EXPENSES				
Administrative (Schedule 1)	262,533	473,977	170,084	382,599
Amortization	31,582	48,293	16,807	32,767
Interest and bank charges	13,167	22,020	9,679	19,593
	307,282	544,290	196,570	434,959
<b>INCOME</b>	<b>101,561</b>	<b>241,255</b>	<b>48,079</b>	<b>149,600</b>
DEFICIT, beginning of period	(254,699)	(394,392)	(602,092)	(703,613)
DEFICIT, end of period	\$ (153,138)	\$ (153,137)	\$ (554,013)	\$ (554,013)
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.018	\$ 0.043	\$ 0.009	\$ 0.027
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	5,659,333	5,648,652	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, 2007 AND 2006

(UNAUDITED-SEE NOTICE TO READER)

	2007		2006	
	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30
<b>OPERATING ACTIVITIES</b>				
<b>INCOME</b>	\$ 101,561	\$ 241,255	\$ 48,079	\$ 149,600
ADD ITEMS NOT REQUIRING A CASH OUTLAY				
Amortization	31,582	48,293	16,807	32,767
Stock based compensation	1,649	3,298	1,165	2,330
DECREASE (INCREASE):				
Accounts receivable	259,587	18,259	82,608	(139,136)
Inventory	(557,636)	(642,714)	32,775	(62,992)
Prepaid expenses	7,315	(12,052)	-	-
INCREASE (DECREASE):				
Accounts payable	133,622	532,323	(116,671)	21,929
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(22,320)</b>	<b>188,662</b>	<b>64,763</b>	<b>4,498</b>
<b>FINANCING ACTIVITIES</b>				
Borrowing of long-term debt	612,185	612,185	-	-
Repayment of long-term debt	(9,581)	(19,874)	(10,589)	(21,122)
Demand loans repaid	(340,782)	(340,782)	-	-
Issuance of common shares	-	6,833	-	-
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>261,822</b>	<b>258,362</b>	<b>(10,589)</b>	<b>(21,122)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of capital assets	(270,691)	(363,446)	(99,520)	(173,514)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(270,691)</b>	<b>(363,446)</b>	<b>(99,520)</b>	<b>(173,514)</b>
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>(31,189)</b>	<b>83,578</b>	<b>(45,346)</b>	<b>(190,138)</b>
<b>CASH, beginning of period</b>	<b>172,326</b>	<b>57,559</b>	<b>209,248</b>	<b>354,040</b>
<b>CASH (DEFICIENCY), end of period</b>	<b>\$ 141,137</b>	<b>\$ 141,137</b>	<b>\$ 163,902</b>	<b>\$ 163,902</b>

See accompanying notes.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2007 AND 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 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, 2007 AND 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	920,539	296,960	623,579	520,534
Plant, machinery and equipment	692,238	331,407	360,831	332,398
Office equipment and furniture	43,465	28,398	15,067	15,858
Laboratory equipment	15,453	6,247	9,206	9,689
Mobile equipment	765,160	460,068	305,092	120,145
Totals	\$ 2,481,949	\$ 1,123,080	\$ 1,358,869	\$ 1,043,718

Amortization expense for the three month period amounted to \$31,582 (2006 - \$16,807).

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2007 AND 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.	\$ -	\$ 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.	10,516	15,936
Loan bearing interest at 8.6% per annum, repayable in blended monthly installments of \$643. As security the Company has pledged specific equipment. Maturing in 2009.	25,124	-
Loan bearing interest at 7.3% per annum, repayable in blended monthly installments of \$2,453, secured by a vehicle. Maturing in 2011.	48,252	-
Loan bearing interest at 8.8% per annum, repayable in blended monthly installments of \$733, secured by a vehicle. Maturing in 2011.	29,061	-
Loan bearing interest at 3.20% per annum, repayable in blended monthly installments of \$1,833. As security the Company has pledged specific equipment. Maturing in 2012.	95,293	-
Loan bearing interest at 8.2% per annum, repayable in monthly installments of \$2,225 plus interest. As security the Company has pledged specific assets. Maturing in 2022.	400,000	-
	<b>608,246</b>	356,719
Current portion	<b>88,391</b>	42,206
	<b>\$ 519,855</b>	<b>\$ 314,513</b>
Approximate principal repayments required over the next four years are as follows:		
2008		\$ 88,391
2009		81,390
2010		61,816
2011		61,778
2012		41,197
Subsequent to 2012		273,674
		<b>\$ 608,246</b>

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED-SEE NOTICE TO READER)

### 5. SHARE CAPITAL

(a) AUTHORIZED

12,000,000 common shares

(b) ISSUED

	2007	2006
Common shares outstanding	\$ 1,140,236 5,659,333	\$ 1,086,020 5,451,000

During the first quarter 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.

### 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 421,667 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
65,000	70.5 cents	June 25, 2012

Stock options issued are as follows:

	Number of shares	2007 Weighted average exercise price
Options outstanding as at beginning of period	121,667	\$ 0.29
Granted	65,000	0.71
Options outstanding at period end	186,667	\$ 0.43
Options exercisable at period end	41,667	\$ 0.21

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED-SEE NOTICE TO READER)

### 6. STOCK OPTIONS (Cont'd)

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average contractual life (years)	Exercisable options weighted average contractual life (years)
0.21	86,667	41,667	1.59	3.42
0.50	35,000		0.84	
0.71	65,000		1.74	
\$ 0.43	186,667	41,667	4.17	3.42

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	3.8 - 4.55%
Expected stock price volatility	60%
Expected dividend yield	0%
Weighted-average fair value of options	\$0.24

### 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, 2007, the Company accrued a total of \$NIL in management and consulting fees for the President and Chairman who are both directors of the Company (quarter ending June 30, 2006 - \$15,000). At June 30, 2007 \$NIL was owing to the President and Chairman (June 30, 2006 - \$150,000). Another officer of the company is a partner in a legal firm that provides services to the company. The payments made to this firm relating to services provided in the normal course of business at the exchange amount agreed to by the parties during the quarter ended June 30, 2007 were \$26,113.

Directors fees in the amount of \$4,500 have been accrued for the quarter ending June 30, 2007.

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.

**LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.****THREE MONTH PERIOD ENDED JUNE 30 AND SIX MONTH PERIOD ENDED JUNE 30, 2007****(UNAUDITED-SEE NOTICE TO READER)**

	<b>3 MONTH PERIOD ENDED JUNE 30</b>	<b>6 MONTH PERIOD ENDED JUNE 30</b>
<b>REVENUE</b>		
Sale of product	\$ 1,666,033	\$ 3,192,628
Freight	93,571	180,366
Other	21,516	30,408
	<b>\$ 1,781,120</b>	<b>\$ 3,403,402</b>
<b>COST OF GOODS SOLD</b>		
Materials Purchased	\$ 1,127,660	\$ 2,146,799
Freight	53,478	93,599
Commissions	66,768	113,862
Wages & benefits	124,371	263,597
	<b>\$ 1,372,277</b>	<b>\$ 2,617,857</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Consultants	\$ 6,158	\$ 8,628
Insurance	20,926	46,535
Utilities	14,794	27,591
Wages & benefits	88,549	184,786
Professional fees	56,212	89,020
Public company expenses	11,554	24,463
Miscellaneous	64,340	92,954
<b>TOTAL</b>	<b>\$ 262,533</b>	<b>\$ 473,977</b>

Some of the comparative figures have been reclassified to conform to the current year's presentation.