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**NORDEX EXPLOSIVES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2008**

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

May 16, 2008

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



# Ross, Pope & Company

**Chartered Accountants**

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## **NOTICE TO READER**

We have compiled the consolidated balance sheet of Nordex Explosives Ltd. as at March 31, 2008 and the statements of operations and retained earnings 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 16, 2008

*Ross, Pope & Company*

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

**NORDEX EXPLOSIVES LTD.****CONSOLIDATED BALANCE SHEET**

AS AT MARCH 31, 2008 AND DECEMBER 31, 2007

	MARCH 31 2008	DECEMBER 31 2007
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 380,340	\$ 768,190
Accounts receivable	1,101,217	1,045,142
Inventories (Note 2)	988,302	1,149,207
Prepaid expenses	11,250	-
	2,481,109	2,962,539
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 3)	1,774,465	1,462,801
	\$ 4,255,574	\$ 4,425,340
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 781,665	\$ 1,028,720
Income taxes payable	49,466	36,144
Current portion of long-term debt (Note 4)	141,483	141,485
	972,614	1,206,349
LONG-TERM DEBT (Note 4)	789,802	826,224
	1,762,416	2,032,573
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	1,988,238	1,967,082
OPTIONS (Note 6)	8,039	12,369
CONTRIBUTED SURPLUS	227,249	227,249
RETAINED EARNINGS	269,632	186,067
	2,493,158	2,392,767
	\$ 4,255,574	\$ 4,425,340

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.

**NORDEX EXPLOSIVES LTD.****CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS****THREE MONTH PERIOD ENDED MARCH 31**

	2008	2007
SALES (Schedule 1)	\$ 1,582,246	\$ 1,622,282
COST OF GOODS SOLD (Schedule 1)	1,186,871	1,245,580
GROSS PROFIT	395,375	376,702
EXPENSES		
Administrative (Schedule 1)	247,536	211,445
Amortization	32,148	16,711
Interest on long-term debt	18,804	8,854
	298,488	237,010
PROVISION FOR INCOME TAXES	13,322	-
<b>INCOME</b>	<b>83,565</b>	<b>139,692</b>
RETAINED EARNINGS (DEFICIT), beginning of period	186,067	(394,392)
RETAINED EARNINGS (DEFICIT), end of period	\$ 269,632	\$ (254,700)
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.0120	\$ 0.0248
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	6,984,607	5,637,852

See accompanying notes.

**NORDEX EXPLOSIVES LTD.****CONSOLIDATED STATEMENT OF CASH FLOWS****THREE MONTH PERIOD ENDED MARCH 31**

	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES</b>		
	<b>\$ 83,565</b>	<b>\$ 139,692</b>
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Amortization	<b>32,148</b>	16,711
Stock based compensation	<b>3,134</b>	1,649
DECREASE (INCREASE):		
Accounts receivable	<b>(56,075)</b>	(241,328)
Inventory	<b>160,905</b>	(85,077)
Prepaid expenses	<b>(11,250)</b>	(19,367)
INCREASE (DECREASE):		
Accounts payable	<b>(247,055)</b>	398,698
Income taxes payable	<b>13,322</b>	-
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(21,306)</b>	210,978
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<b>(36,423)</b>	(10,292)
Net proceeds from issuance of capital stock	<b>-</b>	6,833
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>(36,423)</b>	(3,459)
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<b>(343,813)</b>	(92,752)
Proceeds on disposal of capital assets	<b>13,692</b>	-
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(330,121)</b>	(92,752)
<b>CHANGE IN CASH DURING THE PERIOD</b>	<b>(387,850)</b>	114,767
<b>CASH, beginning of period</b>	<b>768,190</b>	57,559
<b>CASH, end of period</b>	<b>\$ 380,340</b>	<b>\$ 172,326</b>

See accompanying notes.

# **NORDEX EXPLOSIVES LTD.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTH PERIOD ENDED MARCH 31, 2008 & 2007**

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### **1. NATURE OF OPERATIONS**

The Company is incorporated under the laws of Quebec and operates as a developer, manufacturer and reseller 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, 2007.

#### **(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.

# **NORDEX EXPLOSIVES LTD.**

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

**THREE MONTH PERIOD ENDED MARCH 31, 2008 & 2007**

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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.

#### **(k) FINANCIAL INSTRUMENTS, COMPREHENSIVE INCOME(LOSS) AND HEDGES**

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments - Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective January 1, 2007.

# NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIOD ENDED MARCH 31, 2008 & 2007

#### (k) FINANCIAL INSTRUMENTS, COMPREHENSIVE INCOME(LOSS) AND HEDGES (CONT'D)

##### a) Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

##### b) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

##### c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

##### d) Impact upon adoption of sections 1530, 3855, and 3865

The Company has evaluated the impact of the adoption of Sections 1530, 3855 and 3865 on its interim financial statements and determined that no adjustments are currently required.

### 3. PROPERTY, PLANT AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	Net 2008	2007
Land and land improvements	\$ 45,094	\$ -	\$ 45,094	\$ 45,094
Buildings	966,387	314,059	652,328	642,385
Plant, machinery and equipment	1,102,340	347,213	755,127	433,623
Office equipment and furniture	49,310	30,087	19,223	19,736
Laboratory equipment	15,453	6,997	8,456	8,681
Mobile equipment	811,409	517,172	294,237	313,282
Totals	\$ 2,989,993	\$ 1,215,528	\$ 1,774,465	\$ 1,462,801

Depreciation expense for the period amounted to \$32,148 (2007 - \$16,711).

# NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIOD ENDED MARCH 31, 2008 & 2007

#### 4. LONG-TERM DEBT

	2008	2007
Loan bearing interest at 8% per annum, repayable in blended monthly installments of \$995, secured by a vehicle. Maturing in 2008.	\$ 1,962	\$ 4,876
Loan bearing interest at 7.3% per annum , repayable in blended monthly installments of \$2,453, secured by a vehicle . Maturing in 2009.	28,317	35,083
Loan bearing interest at 8.6% per annum, repayable in blended monthly installments of \$643, secured by a vehicle. Maturing in 2011.	20,833	22,294
Loan bearing interest at 8.8% per annum , repayable in blended monthly installments of \$733. As security the company has pledged a vehicle . Maturing in 2011.	24,240	25,882
Loan bearing interest at 3.2% per annum , repayable in blended monthly installments of \$1,834, secured by specific equipment. Maturing in 2012.	80,919	85,749
Loan bearing interest at 7.3% per annum , repayable in monthly installments of \$4,700 plus interest, secured by specific assets. Maturing in 2015.	387,810	400,000
Loan bearing interest at 8.2% per annum , repayable in monthly installments of \$2,225 plus interest, secured by specific assets. Maturing in 2022.	387,204	393,825
	<b>931,285</b>	967,709
Current portion	<b>141,483</b>	141,485
	<b>\$ 789,802</b>	\$ 826,224

Approximate principal repayments are as follows:

2009	\$ 141,485
2010	\$ 118,185
2011	\$ 112,832
2012	\$ 104,368
2013	\$ 80,393
Subsequent to 2013	\$ 374,022
	<b>\$ 931,285</b>

# NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIOD ENDED MARCH 31, 2008 & 2007

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#### 5. SHARE CAPITAL

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(a) AUTHORIZED

12,000,000 common shares

(b) ISSUED

	Number of Shares	Amount
Balance, January 1, 2008	6,967,025	\$ 1,967,082
Options exercised	<u>50,000</u>	<u>13,692</u>
	7,017,025	1,980,774
Black-scholes value of options exercised	<u>-</u>	<u>7,464</u>
Balance, March 31, 2008	<u>7,017,025</u>	<u>\$ 1,988,238</u>

During the period 50,000 options were exercised for proceeds of \$7,464. The black-scholes value associated with the options exercised (\$13,692) 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 (Note 9). 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
38,334	21 cents	November 28, 2010
23,333	50 cents	December 14, 2011
65,000	71 cents	June 25, 2012
245,000	48 cents	March 23, 2013

## NORDEX EXPLOSIVES LTD.

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

#### THREE MONTH PERIOD ENDED MARCH 31, 2008 & 2007

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

Stock options issued are as follows:

	Number of shares	2008 Weighted average exercise price
Options outstanding as at beginning of period	176,667	\$ 0.45
Granted	245,000	0.48
Exercised	(50,000)	0.21
Options outstanding at beginning and at period end	371,667	\$ 0.49
Options exercisable at period end	371,667	0.21

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average contractual life (years)	Exercisable options weighted average contractual life (years)
\$ 0.21	38,334	3,333	0.27	2.66
0.50	23,333		0.23	
0.71	65,000		0.74	
0.48	245,000		3.28	
\$ 0.21	371,667	3,333	4.53	2.66

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	\$0.27

# NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIOD ENDED MARCH 31, 2008 & 2007

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#### 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, 2008, the Company paid out \$101,000 in management and consulting fees owing. During the quarter the Company accrued \$6,750 in Director fees and meeting expenses. The Company also paid \$7,371 in legal fees to a director. At March 31, 2008 \$nil was owing to the directors (March 31, 2007 - \$98,920).

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

On May 13, 2008 the Shareholders approved a resolution authorizing the Corporation to establish a new rolling Stock Option Plan, which allows the granting of stock options to directors, employees, management and consultants up to an aggregate amount of 10% of the issued and outstanding common shares of the Corporation. Under the terms of the New Stock Option Plan, the 371,667 outstanding options issued under the prior stock option plan of the Corporation, which was approved by Shareholders at the Annual and Special Meeting of Shareholders held on May 17, 2007, will be deemed to have been issued under the New Stock Option Plan. TSX Venture Exchange policies require that a rolling stock option plan be approved by the shareholders of the Corporation at each annual general meeting. 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.

#### 10. LEASE COMMITMENTS

(i) The company's total obligations under various operating leases for vehicles and office rent are as follows:

2008	\$	9,520
2009	\$	5,244

#### 11. CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

- (a) to safeguard the Company's ability to continue as a going concern.
- (b) to provide sufficient funding to support on-going research and capital development plans.

The Company is required by the Toronto Stock Exchange to have sufficient working capital to finance 18 months of general and administrative expenditures. Management are also required to ensure the Company has adequate working capital and an appropriate capital structure to carry on its business.

**NORDEX EXPLOSIVES LTD.****THREE MONTH PERIOD ENDED MARCH 31, 2008**

<b>REVENUE</b>	<b>2008</b>	<b>2007</b>
Sale of product	\$ 1,480,860	\$ 1,526,595
Freight	85,280	86,795
Other	16,106	8,892
	<b>\$ 1,582,246</b>	<b>\$ 1,622,282</b>

<b>COST OF GOODS SOLD</b>	<b>2008</b>	<b>2007</b>
Materials Purchased	\$ 872,327	\$ 1,003,305
Freight	101,597	55,954
Commissions	36,071	47,095
Wages & benefits	176,876	139,226
	<b>\$ 1,186,871</b>	<b>\$ 1,245,580</b>

<b>ADMINISTRATIVE EXPENSES</b>	<b>2008</b>	<b>2007</b>
Consultants	\$ 12,453	\$ 2,470
Insurance	40,036	25,609
Utilities	8,188	12,797
Wages & benefits	112,782	96,238
Professional fees	31,511	32,808
Public company expenses	19,620	12,909
Miscellaneous	22,946	28,614
<b>TOTAL</b>	<b>\$ 247,536</b>	<b>\$ 211,445</b>