

NORDEX EXPLOSIVES LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2008

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

NORDEX EXPLOSIVES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED JUNE 30, 2008

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, 2008 and the consolidated statements of operations and retained earnings 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
July 31, 2008

Ross, Pope & Company

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

NORDEX EXPLOSIVES LTD.**CONSOLIDATED BALANCE SHEET****AS AT JUNE 30, 2008 AND DECEMBER 31, 2007**

	JUNE 30 2008	DECEMBER 31 2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 348,225	\$ 768,190
Accounts receivable	1,007,717	1,045,142
Inventories (Note 2)	1,124,405	1,149,207
Prepaid expenses	7,500	-
	2,487,847	2,962,539
PROPERTY, PLANT AND EQUIPMENT (Notes 2 & 3)	2,249,233	1,462,801
	\$ 4,737,080	\$ 4,425,340
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,220,458	\$ 1,028,720
Income taxes payable	-	36,144
Current portion of long-term debt (Note 4)	141,483	141,485
	1,361,941	1,206,349
LONG-TERM DEBT (Note 4)	753,645	826,224
	2,115,586	2,032,573
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	1,988,238	1,967,082
OPTIONS	20,999	12,369
CONTRIBUTED SURPLUS	227,249	227,249
RETAINED EARNINGS	385,008	186,067
	2,621,494	2,392,767
	\$ 4,737,080	\$ 4,425,340

Contingencies

APPROVED BY THE BOARD OF DIRECTORS:

"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****PERIODS ENDED JUNE 30, 2008 AND 2007**

	2008		2007	
	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	\$ 1,686,237	\$ 3,268,482	\$ 1,781,120	\$ 3,403,401
COST OF GOODS SOLD (Schedule 1)	1,362,989	2,549,860	1,372,277	2,617,857
GROSS PROFIT	323,248	718,622	408,843	785,544
EXPENSES				
Administrative (Schedule 1)	189,625	437,161	262,533	473,977
Amortization	37,101	69,249	31,582	48,293
Interest and bank charges	23,041	41,845	13,167	22,020
	249,767	548,255	307,282	544,290
INCOME BEFORE UNDERNOTED	73,481	170,367	101,561	241,254
RECOVERY OF INCOME TAXES	(41,895)	(28,573)	-	-
INCOME	115,376	198,940	101,561	241,254
RETAINED EARNINGS (DEFICIT), beginning of period	269,632	186,068	(254,699)	(394,392)
RETAINED EARNINGS (DEFICIT), end of period	\$ 385,008	\$ 385,008	\$ (153,138)	\$ (153,138)
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.016	\$ 0.028	\$ 0.018	\$ 0.043
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	7,017,025	7,000,816	5,659,333	5,648,652

See accompanying notes.

NORDEX EXPLOSIVES LTD.**CONSOLIDATED STATEMENT OF CASH FLOWS****PERIODS ENDED JUNE 30, 2008 AND 2007**

	2008		2007	
	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	\$ 115,376	\$ 198,940	\$ 101,561	\$ 241,254
ADD ITEMS NOT REQUIRING A CASH OUTLAY				
Amortization	37,101	69,249	31,582	48,293
Stock based compensation	12,960	16,094	1,649	3,298
DECREASE (INCREASE):				
Accounts receivable	93,500	37,425	259,587	18,259
Inventory	(136,103)	24,802	(557,636)	(642,714)
Prepaid expenses	3,750	(7,500)	7,315	(12,052)
INCREASE (DECREASE):				
Accounts payable	438,793	191,738	133,622	532,323
Income taxes payable	(49,466)	(36,144)	-	-
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	515,911	494,604	(22,320)	188,661
FINANCING ACTIVITIES				
Borrowing of long-term debt	-	-	612,185	612,185
Repayment of long-term debt	(36,158)	(72,581)	(9,581)	(19,874)
Demand loans repaid	-	-	(340,782)	(340,782)
Issuance of common shares	-	-	-	6,833
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	(36,158)	(72,581)	261,822	258,362
INVESTING ACTIVITIES				
Purchase of capital assets	(511,868)	(855,680)	(270,691)	(363,446)
Proceeds on disposal of capital assets	-	13,692	-	-
CASH FLOWS USED IN INVESTING ACTIVITIES	(511,868)	(841,988)	(270,691)	(363,446)
CHANGE IN CASH DURING THE PERIOD	(32,115)	(419,965)	(31,189)	83,577
CASH, beginning of period	380,340	768,190	172,326	57,560
CASH (DEFICIENCY), end of period	\$ 348,225	\$ 348,225	\$ 141,137	\$ 141,137

See accompanying notes.

NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2008 AND 2007

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 Company 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 CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2008 AND 2007

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 CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2008 AND 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	\$ 49,180	\$ -	\$ 49,180	\$ 45,094
Buildings	983,524	319,744	663,780	642,385
Plant, machinery and equipment	1,480,999	352,352	1,128,647	433,623
Office equipment and furniture	49,310	30,582	18,728	19,736
Laboratory equipment	15,453	7,215	8,238	8,681
Mobile equipment	923,396	542,736	380,660	313,282
Totals	\$ 3,501,862	\$ 1,252,629	\$ 2,249,233	\$ 1,462,801

Amortization expense for the three month period amounted to \$37,101 (2007 - \$31,582).

NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2008 AND 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.	\$ -	\$ 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.	21,429	35,083
Loan bearing interest at 8.6% per annum, repayable in blended monthly installments of \$643, secured by a vehicle. Maturing in 2011.	19,203	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.	22,562	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.	76,051	85,749
Loan bearing interest at 7.5% per annum , repayable in monthly installments of \$4,700 plus interest, secured by specific assets. Maturing in 2015.	375,300	400,000
Loan bearing interest at 7.5% per annum , repayable in monthly installments of \$2,225 plus interest, secured by specific assets. Maturing in 2022.	380,583	393,825
	895,128	967,709
Current portion	141,483	141,485
	\$ 753,645	\$ 826,224

Approximate principal repayments required over the next five years are as follows:

2009	\$ 141,483
2010	118,185
2011	112,832
2012	104,368
2013	80,393
Subsequent to 2013	337,867
	\$ 895,128

NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2008 AND 2007

5. SHARE CAPITAL

(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, June 30, 2008	<u>7,017,025</u>	<u>\$ 1,988,238</u>

On February 28, 2008, 50,000 options were exercised for proceeds of \$13,692. The black-scholes value associated with the options exercised (\$7,464) was also transferred to common shares.

6. STOCK OPTIONS

During the period at the Annual and Special Meeting of Shareholders held on May 8, 2008, shareholders approved a resolution authorizing the Corporation to establish a new stock option plan, (the "New Stock Option Plan") which will be a "rolling" plan under which up to 10% of the issued and outstanding common shares of the Corporation from time to time, subject to adjustment in certain circumstances, may be issued. The purpose of the New Stock Option Plan is to develop the interest of bona fide officers, directors, employees, management company employees and consultants of the Corporation in the growth and development of the Corporation by providing them with the opportunity through stock options to acquire an increased proprietary interest in 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.

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 CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2008 AND 2007

6. STOCK OPTIONS (Cont'd)

Stock options issued are as follows:

	Number of shares	2008 Weighted average exercise price
Options outstanding as at January 1, 2008	176,667	\$ 0.45
Granted	245,000	0.32
Exercised	(50,000)	0.21
Options outstanding at period end	371,667	\$ 0.49
Options exercisable at period end	3,333	\$ 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	0.25	2.41
0.50	23,333		0.22	
0.71	65,000		0.70	
0.48	245,000		3.12	
\$ -	371,667	3,333	4.28	2.41

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	\$0.27

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, 2008, the Company accrued a total of \$6,000 in Director Fees and meeting expenses. An officer of the company is a partner in a legal firm that provides services to the company. The Company paid \$20,898 in legal fees for services provided by the legal firm.

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.

NORDEX EXPLOSIVES LTD.

THREE MONTH PERIOD ENDED JUNE 30 AND SIX MONTH PERIOD ENDED JUNE 30, 2008

	3 MONTH PERIOD ENDED JUNE 30	6 MONTH PERIOD ENDED JUNE 30
REVENUE		
Sale of product	\$ 1,569,963	\$ 3,050,822
Freight	98,798	184,078
Other	17,476	33,582
	\$ 1,686,237	\$ 3,268,482
COST OF GOODS SOLD		
Materials Purchased	\$ 1,056,007	\$ 1,950,321
Freight	76,536	148,145
Commissions	83,797	127,869
Wages & benefits	146,649	323,525
	\$ 1,362,989	\$ 2,549,860
ADMINISTRATIVE EXPENSES		
Consultants	\$ 1,200	\$ 13,653
Insurance	20,107	60,143
Utilities	11,937	20,125
Wages & benefits	85,085	197,867
Professional fees	21,731	53,242
Public company expenses	6,026	25,646
Miscellaneous	43,539	66,485
TOTAL	\$ 189,625	\$ 437,161

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