

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

**ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS  
of Financial Condition and Results of Operations  
for the twelve months ended December 31, 2007**

**Dated: March 11, 2008**

*The following information should be read in conjunction with the Corporation's audited December 31, 2007, 2006 and 2005 financial statements and related notes included therein which were prepared in accordance with generally accepted accounting principles in Canada. This discussion includes forward-looking statements that may differ materially from actual results achieved.*

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD. ("Nordex" or the "Corporation") is a Canadian based business incorporated under the laws of the Province of Quebec on August 4, 1970. Nordex trades on the TSX Venture Exchange under the symbol "NXX". The Corporation manufactures and distributes explosives for the mining, quarry and road construction industries. Its manufacturing operations and distribution centre is strategically located in one of the world's largest mining regions near Kirkland Lake, Ontario. The Corporation continues to maintain its manufacturing explosives licence in good standing and is researching the possibility of expanding production and offering new explosive products and services for the mining, quarry and road construction industries.

The results for the fiscal year ending December 31, 2007, reflect operations of the Corporation for the twelve month period commencing January 1, 2007. Comparative financial results are for the fiscal year commencing January 1, 2006 and ending on December 31, 2006.

Management discussion and analysis is a review of the Corporation's financial condition and results of operation as compared to the corresponding prior year end. This discussion is intended to provide historical and prospective analysis of the activities of the Corporation.

All financial data contained in this Management Discussion and Analysis has been prepared in accordance with Canadian generally accepted accounting principles. With respect to foreign currency, all monetary assets and liabilities have been translated at the year-end exchange rate. Gains and Losses from translating monetary assets and liabilities are recognized through the statement of earnings and retained earnings in the Corporation's financial statements. Transactions in foreign currencies are translated into Canadian Dollars at the appropriate rate prevailing at the time of the transactions. Foreign exchange gains and losses are included in income for the year.

**OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

**Financial Highlights**

Revenue, net profit, profit margins and earnings per share have all increased in 2007. Financially, the Corporation continues to strengthen its balance sheet and is in its healthiest position in over a decade. The Debt to Equity ratio improved dramatically and reduced to .8 from 1.5. The following table sets forth certain financial information of the Corporation for the fiscal years ending December 31, 2007, 2006 and 2005.

<b>Twelve Months ended December 31</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Total Revenues	\$7,064,272	\$4,857,953	\$3,674,883
Cost of Goods Sold	\$5,286,400	\$3,640,210	\$2,816,898
Gross Profit	\$1,777,872	\$1,217,743	\$857,985
Gross Margin	25.2%	25.1%	23.3%
Selling, Admin and Marketing Expense	\$1,009,955	\$803,485	\$535,590
Income (loss) before Interest, Taxes, Depreciation and Amortization	\$767,917	\$414,258	\$322,395
Amortization Expenses	\$108,593	\$69,047	\$46,460
Interest on long term debt	\$42,721	\$35,990	\$43,365
Net Income (loss) before tax for the Period	\$616,603	\$309,221	\$232,570
Income after tax	\$580,459	\$309,221	\$232,570
Profit Margin	8.2%	6.4%	6.3%
Earnings (loss) per Share	\$0.098	\$0.057	\$0.040
Cash Provided By (Used In) Operations	\$(205,805)	\$10,287	\$435,841
Cash End of Period	\$768,190	\$57,559	\$354,040
Accounts Receivable	\$1,045,142	\$1,027,908	\$625,579
Total Assets	\$4,425,340	\$2,443,134	\$2,079,720
Accounts Payable & Accrued Liabilities	\$1,028,720	\$1,118,050	\$1,046,123
Long Term Debt	\$826,224	\$314,513	\$365,288
Total Liabilities	\$2,032,573	\$1,474,769	\$1,454,580
Shareholders' Equity	\$2,392,768	\$968,365	\$625,140
Total Shares Outstanding at Period End	6,967,025	5,626,000	5,451,000

Note: During the fiscal year ending December 31, 2007, 1,307,692 shares were issued under a private placement and 33,333 options to purchase shares were exercised under the company's stock option plan.

### **Dividend Record and Policy**

The Corporation has not recently paid dividends on any shares of the Corporation and may never pay cash dividends.

### **Net Income**

For the fiscal year ending December 31, 2007, Nordex recorded a net income before tax of \$616,603 and a net income after tax of \$580,459 compared to a net income of \$309,221 for the fiscal year ending December 31, 2006 and a net income of \$232,570 for the fiscal year ending December 31, 2005. Net Income increased significantly as a result of increased revenue as well as a reduction in administrative costs as a percentage of revenue (14.3% in 2007 compared to 16.5% in 2006).

Earnings/(Loss) per common share were \$0.098, \$0.057 and \$0.040, reflected on the weighted average number of shares outstanding for the fiscal years 2007, 2006 and 2005.

### **Revenue**

Revenue increased by 45.4% in 2007 over 2006. For the fiscal year ending December 31, 2007, Nordex reported revenue of \$7,064,272 compared to \$4,857,953 for the fiscal year ending December 31, 2006 and to \$3,674,883 for the fiscal year ending December 31, 2005.

In 2007, Nordex has benefited from the continuing strength in the mining industry. Revenue increased primarily as a result of increased sales from its existing mining clients and sales from new clients. Revenue also increased as a result of increased sales from construction companies in 2007 compared to 2006.

### **Cost of Good Sold**

Cost of Goods Sold were \$5,286,400 for the fiscal year ending December 31, 2007 compared to \$3,640,210 for the fiscal year ending December 31, 2006 and \$2,816,898 for the fiscal year ending December 31, 2005. Gross margin for the year increased slightly to 25.2% compared to 25.1% for 2006 and 23.3% for 2005.

Increases in base prices for raw material and finished product were offset by (i) the strength of the Canadian dollar compared to the U.S. dollar as some of these items were priced in US dollars, (ii) lower wages as a percentage of sales, and (iii) a small increase to the Company's selling price of products in April 2007.

### **Selling, General and Administrative**

Selling, general and administrative expenses include marketing, customer support, financing, interest, executive personnel, professional services, office and occupancy costs required to manage the corporation and do not include depreciation and amortization.

Selling, general and administrative expenses for 2007 were \$1,009,955 compared to \$803,485 in 2006 and reduced as a percentage of sales in 2007 to 14.3% from 16.5% in 2006.

Throughout most of 2006, the Company retained a technical consultant on a part time basis and did not do so in 2007. This resulted in non-capitalized consultants' expenses reducing significantly. Administrative wages and benefits as a percentage of sales increased slightly to 6.7% from 6.4% primarily due to the addition of a Finance Manager for the second half of the year. Professional fees increased as a result of (i) increased third party accounting costs resulting from the transition to an in-house Finance Manager and (ii) increase legal costs as a result of a defence motion brought against the Corporation, work on the private placement and increased work related to the 2007 AGM.

Management Compensation and Miscellaneous Expenses are outlined in the following three sections.

### **Executive Compensation**

Over the last several years, Nordex's senior executives agreed not to take all or a large portion of their salaries. In lieu of salary, the company agreed to accrue management fees for the senior executives that would be paid out only at a time that would not cause undue financial hardship to the Corporation. With the significant improvement in the Corporation's financial health, the directors determined that in 2007 it is no longer necessary for senior management to defer their salaries. The following table shows the salaries for the Chairman, CEO and COO at the start of 2007.

<b>Name</b>	<b>Title</b>	<b>Salary</b>
A. Timothy Peterson	Chairman	\$30,000
John Kozak	President & CEO	\$78,000
Jim Taylor	VP Operations & COO	\$83,000

Management salaries were kept very low at the start of year as they were participating in the Company's Profit Sharing Plan at the time which is explained further below.

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. In 2004 and 2005, the management of Nordex Explosives was paid substantially under market based on their backgrounds, their performance and industry norms. When the PSP was implemented, the objective of the Directors of the

company was to (1) establish an equitable incentive plan to retain and motivate management and (2) at the same time ensure that shareholders were rewarded before any payments to management. Due to the economic condition of the company; wages at industry norms could not be offered to management. Therefore the Directors felt that compensation tied to the performance of the Corporation would benefit both the shareholders and management.

During the second quarter of 2007, the Corporation terminated the Profit Sharing Plan retroactively to January 1, 2007, and announced 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. During the fourth quarter of 2007, the Corporation's Board of Directors adjusted the annual salary for Mr. Kozak to \$120,000 and Mr. Taylor to \$120,000 effective January 1, 2007. Total salary and bonus for the executives in 2007 is provided in the following table.

<b>Name</b>	<b>Title</b>	<b>Salary</b>	<b>Bonus</b>	<b>Total</b>
A. Timothy Peterson	Chairman	\$30,000	\$19,000	\$49,000
John Kozak	President & CEO	\$120,000	\$40,000	\$160,000
Jim Taylor	VP Operations & COO	\$120,000	\$45,000	\$165,000

### **Miscellaneous Expenses**

Miscellaneous Expenses are a component of Selling, General and Administrative Expenses. Miscellaneous Expenses include property expense; vehicle expense; travel expenses; professional fees; training costs; licenses; and expenses related to maintaining a public listing on the TSX Venture Exchange. Miscellaneous Expenses increased to \$194,471 for the fiscal year ending December 31, 2007 compared to \$149,230 for the fiscal year ending December 31, 2006 representing a year over year increase of \$45,241.

Further details on Miscellaneous Expenses are provided below.

<b>Account</b>	<b>2007</b>	<b>2006</b>	<b>2007 Increase / (Decrease)</b>
Vehicle Expense	\$10,877	\$22,535	\$(11,658)
Travel	\$66,722	\$29,546	\$37,176
Bank Charges	\$6,414	\$12,061	\$(5,645)
Directors Meeting	\$16,500	\$11,400	\$5,100
Advertising & Promotion	\$20,193	\$15,925	\$4,268
Licenses & Permits	\$13,529	\$10,507	\$3,022
Office Expense	\$26,177	\$16,235	\$9,941
Other	\$29,859	\$31,021	\$(1,162)
<b>Total</b>	<b>\$190,271</b>	<b>\$149,230</b>	<b>\$41,041</b>

The vehicle expense component under Selling, General and Administrative Expenses reduced as leases for two vehicles ended and they were purchased with a loan.

Travel and advertising & promotion related expenses increased as a result of increased selling activity and meetings with existing and potential suppliers.

Office expense increased as a result of the opening of the Corporation's office in Mississauga during the second quarter of 2007.

### **Inventories**

Inventories were \$1,149,207 on December 31, 2007 compared to \$313,949 at the fiscal year ending December 31, 2006 and \$270,590 at the fiscal year ending December 31, 2005. Inventory levels have increased primarily due to the discontinuance of a consignment relationship with a major supplier and secondarily due to the significant increase in sales.

### **Property, Plant and Equipment**

The total book value of Property, Plant and Equipment at fiscal year ending December 31, 2007 was \$1,462,801 compared to \$1,043,717 and \$829,511 at fiscal years ending December 31, 2006 and 2005.

Increases in 2007 before depreciation totaled \$525,676. Almost all of this amount consisted of expenditures of \$258,055 on mobile equipment, \$120,574 on plant machinery and equipment, and \$143,202 on "Buildings". The Buildings category includes storage magazines for explosives where the majority of the expenditures in this category occurred.

### **Provision for Income Taxes**

As of December 31, 2007, the corporation had non-capital loss carry-forwards and other tax deduction carry forwards to offset taxes otherwise payable for the year. The Corporation made a provision for income taxes for \$36,144. The entire amount was provided for in the fourth quarter.

The Corporation has filed amended tax returns for the years 2005 and 2006 which will provide additional tax deductions and credits to reduce current and future taxes payable. These returns are subject to Canada Revenue Agency review and assessment and the benefit from these amendments will be recorded and realized when approved. It is anticipated that the 2007 tax provision will be reduced to approximately \$7,600. In addition it is expected that the Company will have federal non-capital losses available to carry forward to future years of \$49,519 and federal investment tax credits available to reduce taxes otherwise payable of \$35,031.

### **Retained Earnings**

Retained Earnings/(Losses) improved to \$186,067 for the fiscal year ending December 31, 2007 reflecting the net profit for the period compared to \$(394,392) for the fiscal year ending December 31, 2006 and compared to \$(703,613) for the fiscal year ending December 31, 2005.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the fiscal year ending December 31, 2007, there was an increase in the Corporation's near-cash position and short-term deposits to \$768,190 from \$57,559 as of December 31, 2006 and \$354,040 as of December 31, 2005. This increase is primarily a result of long term debt and issuance of shares offset somewhat by an increase in inventory and the purchase of capital assets.

Long term debt (including current year's portion) increased to \$967,709 at the end of 2007 from \$356,719 at the end of 2006. \$793,825 of this amount is for two loans obtained from the Business Development Corporation in 2007. The loans bear interest at the rate of 8.2% per annum calculated monthly, repayable in monthly instalments of \$2,225 amortized over 180 months and \$4,700 amortized over 96 months respectively. The remainder of the long term debt loans are for mobile equipment.

Current Liabilities increased to \$1,206,349 from \$1,160,256 at December 31, 2006 resulting from an increase in current portion of long term debt and income taxes payable, offset by a decrease in accounts

payable and accrued liabilities which decreased slightly to \$1,028,720 from \$1,118,050 at December 31, 2006.

In management's opinion, Nordex is well poised to continue its current level of operations in the near term and has adequate means to finance these operations. However, future events currently unknown to the corporation such as a loss of sales, decreases in earnings, decreases in cash flows, market or commodity price changes, economic downturns or defaults in payments by customers, could negatively effect the Corporation's ability to generate sufficient amounts of cash and cash equivalents to continue to finance operations.

## **RELATED PARTY TRANSACTIONS**

During 2007 the Company accrued a total of nil (2006 - \$60,000) in management fees between the President and Chairman who are both directors of the company. The company also paid or accrued director fees of \$12,300 (2006- \$11,400) for attendance at board meetings. At December 31, 2007 \$81,800 in executive compensation was owing to the President who is a director for his management role and \$40,510 was owing to the directors (2006 - \$112,400).

Another officer and director of the company is a partner in a legal firm which provides legal services to the Company. The amounts paid or accrued to this firm during the year including disbursements, filing fees and taxes were approximately \$81,200 and are related to services provided in the normal course of business.

## **FINANCING ACTIVITIES**

### **Private Placement**

On October 1, 2007 the Corporation completed a partial closing, and subsequently on October 15, 2007 a final closing, of a Private Placement for a total of 1,307,692 Common Shares for total proceeds of \$850,000 less expense relating to the Private Placement. The resulting net proceeds of \$826,288 are for the expansion of the Corporation's existing manufacturing facilities, working capital and for general corporate purposes.

Following the final closing there were 6,967,025 common shares of the company issued and outstanding.

### **Business Development Bank of Canada Loans**

During the second quarter 2007, the corporation finalized two loan agreements for \$400,000 each with the Business Development Bank of Canada (the "BDC") which are secured by a general security agreement over the Corporation's assets and mortgages over the Corporation's real property assets.

The \$400,000 of funds under the first BDC Loan were advanced to the Corporation in April 2007 and \$400,000 of funds under the second BDC Loan, which is to be used for new capital expenditures, were advanced to the Corporation in December 2007.

## **RISK FACTORS**

The Corporation's business is subject to many risks and uncertainties which may affect its future performance. The risks and uncertainties described below are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes are immaterial may also materially and adversely impair its business operations. Information contained in publicly available information in respect of the Corporation and information presented in this document may contain forward-looking statements that involve risks and uncertainties. All such forward-

looking statements are naturally speculative and there are numerous risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

### **Reliance on Existing Product in Static Markets**

For the foreseeable future, the majority of the Corporation's revenues will be derived from existing or similar products. Demand for existing products will be affected by a range of factors, many of which are beyond the Corporation's control, including the general level of mining, quarry activity and road construction as well as competition within the explosives industry. No assurance can be given that other companies will not enter the market in which the Corporation competes or that the Corporation will have the resources required to respond to technological changes or to compete successfully in the future.

The loading of bulk emulsions and small diameter packaged emulsions are two products that are used widely in under ground mining and are not manufactured by the Corporation. The Corporation currently resells small diameter packaged emulsion manufactured by third parties. Currently, the Corporation is capable of supporting some types of loading for bulk. The Corporation believes that there is a trend in the underground mining industry to utilize more of bulk emulsion product and is actively pursuing alternatives to expand its support in these areas. The Corporation is continuing to investigate the requirements and cost of manufacturing both of these products internally. The Corporation is at risk of reduced revenue if it is unable to expand its support for these products in the medium to long term.

### **Technological Change**

Because of technological changes in the industry, there can be no assurance that the introduction of new products or the development of other technologies by other entities will not render the Corporation's products and processes obsolete or unmarketable. Moreover, increased market penetration and customer acceptance of the Corporation's products will depend upon the Corporation's ability to maintain a technically competent product development, marketing and technical support force and its ability to adapt to technology changes in its industry.

### **Dependence on Suppliers and Manufacturers**

The Corporation sources its raw materials from suppliers in North America. The Corporation integrates and/or assembles certain components at its facilities. The Corporation resells products manufactured by other companies.

A significant portion of the Corporation's sales are currently made up by the resale of product from one manufacturer. The ability to replace the product supplied by this manufacturer with similar products from alternate suppliers is a significant risk and failure to do so could have a material adverse effect on the Corporation.

The Corporation is dependent on another third party manufacturer to supply small diameter packaged explosives. The ability to replace these products with similar products from an alternative supplier is a significant risk.

The Corporation purchases a significant amount of ammonium nitrate which is used as input to manufacture various explosive lines. Ammonium nitrate is a bi-product of ammonium and natural gas. Ammonium and natural gas prices have fluctuated significantly over the last two years. There is a risk that the price and quantities of these items will continue to fluctuate. As the supply levels of natural gas or ammonium reduce then the availability of ammonium nitrate decreases and the price increases presenting a risk to the Corporation.

### **Dependence on Significant Customers**

The majority of the Corporation's sales in the quarter were to its mining clients. Management expects this to be the case for at least the next twelve months. A significant downturn in the mining industry could have a material adverse effect on the corporation.

The failure of Nordex's current customers to continue to utilize the Corporation's products could have a material adverse effect on the Corporation. In addition, customers who account for significant portions of the Corporation's revenues may have the ability to negotiate prices for the Corporation's products that are more favourable and resulting lower profit margins for the Corporation.

Economic concentration to the Corporation's top three clients improved during the quarter (i.e. there was less concentration with the top three clients). In 2007, sales to the Corporation's top three clients comprised 60% of total sales compared to 79% in 2006.

#### **Ability of Significant Customers to Make Payments**

A significant customer of Nordex has a large accounts payable amount owing to the Corporation. Management has been monitoring this situation diligently and has been working closely with the customer to improve the situation. The customer had a total account owing of approximately \$344,483 at December 31, 2007 compared to \$489,525 as of December 31, 2006. This amount reduced significantly to approximately \$140,985 at the end of February 2008. The ability of this customer to make their payments or to make their payments on a timely basis represents a risk to the Corporation.

#### **Commodity Prices**

The rate of operations at the Corporation's mining clients is highly dependant on each mine's underlying commodity price. If the price of commodities drops significantly then the rate of mining operations may reduce as well resulting in reduced explosives sales by the Corporation.

#### **Ability to Manage Growth**

If the Corporation obtains significant orders from large customers, the Corporation will experience rapid growth, which in turn will place significant pressure on the Corporation's managerial, operational and financial condition. The Corporation will also be required to develop and manage multiple relationships with various customers, business partners and other third parties. The Corporation's systems, procedures or controls may not be adequate to support the Corporation's operations and management may not be able to achieve the rapid expansion necessary to exploit potential market opportunities for the Corporation's products and services. The Corporation's future operating results will also depend on its ability to expand its sales and marketing to implement and manage new distribution channels, to penetrate new markets and to expand its support organization.

#### **Reliance on Management**

The Corporation's business involves a high degree of risk, which even with a combination of experience, knowledge and careful evaluation, it may not be able to overcome. Purchasers of the Corporation's securities must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. An investment in the Corporation's securities is suitable for investors who are willing to rely solely upon the management of the Corporation and who could afford a total loss of their investment.

#### **Dependence on Key Personnel**

The success of the Corporation is dependent upon, among other things, the services of key personnel. The loss of any of these individuals, for any reason, could have a material adverse effect on the prospects of the Corporation. In addition, the future success of the Corporation will depend in large part on its ability to attract and retain qualified technical, managerial and marketing personnel and there can be no assurance that such personnel can be attracted and retained. Failure to retain or to attract and retain additional key

employees with necessary skills could have a material adverse impact upon the Corporation's growth and profitability. The Corporation does not maintain key man insurance for its directors, officers or employees. The contributions of these individuals to the immediate future operations of the Corporation are of central importance. The loss of any one of these individuals could have a material adverse effect of the business of the Corporation.

#### **Directors and Officers Conflicts**

Certain directors and officers of the Corporation will only devote part of their time to the affairs of the Corporation. Certain directors of the Corporation are associated with other businesses. Such associations may give rise to conflicts of interest from time to time.

#### **Delays in Implementing Business Plan**

The Corporation may experience a delay in developing and marketing its products and services. This may result in a delay in the Corporation generating revenues which in turn may have an adverse effect on the Corporation's ability to pay dividends and the value of the Corporation's securities.

#### **Additional Financing Requirements**

The Corporation is currently investigating the cost to expand its logistical capabilities, supplier network and manufacturing facilities. The Corporation is constantly assessing business opportunities including new business lines with the objective of increasing sales and profits for the Corporation. The Corporation may require additional financing if it decides to proceed with any of these items.

No assurance can be given that such financing will be available on commercially reasonable terms. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. If additional financing is raised by the issuance of shares issued from the treasury of the Corporation, control of the corporation may change and shareholders may suffer dilution.

#### **Regulatory Approvals**

The Corporation may be required to obtain the discretionary approval of various securities regulators in the course of carrying on its business. The failure to obtain such approvals may adversely affect the Corporation's conduct of its business. The explosives manufacturing industry is regulated at both the provincial and federal levels. There can be no assurance that the regulatory environment in which the Corporation operates will not change in the future. The laws and regulations of all provinces in which the Corporation intends to operate do impact the Corporation's operations, but do not currently materially restrict the Corporation's operations in those provinces. In connection with its operations in existing markets and expansion into new markets, The Corporation may become subject to additional laws, regulations and interpretations. The ability of The Corporation to operate profitably will depend, in part, upon its ability to operate in compliance with applicable regulations.

#### **Competition**

The Corporation must compete with a number of other companies which have substantially greater technical, personnel and financial resources, longer operating histories, greater name recognition and larger customer bases. This competition could materially adversely affect the Corporation's business, operating results or financial condition.

The market for the Corporation's products is highly competitive. There can be no assurance that the Corporation will be able to continue to compete successfully with its existing competitors or will be able to compete successfully with new competitors. It will be necessary for The Corporation to develop its technological and personnel resources in order to promote and enhance development of its business. It may

be necessary for The Corporation to secure additional financing to support and grow in these areas and there is no assurance The Corporation will be able to raise funds for this purpose.

### Market for Securities

The Common Shares are listed for trading on the TSX Venture Exchange. However, there is no assurance that an active trading market in the Common Shares will be sustained. Purchasers may not be able to dispose of the Common Shares or Warrants on a timely basis or at all. The market price for the Common Shares could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, activities by competitors of the Corporation, as well as market conditions in the securities industry, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations which have often been unrelated to the operating performance of particular companies.

### OUTSTANDING SHARE DATA

The following table sets forth the capitalization of the Corporation at December 31, 2007.

Designation of Security	Authorized	Outstanding at December 31, 2007
Common	12,000,000	6,967,025 <sup>(1)</sup>

Note: (1) On October 12, 2007 the Corporation completed a partial closing and on October 15, 2007 a final closing of a Private Placement. Following the final closing and at year ending December 31, 2007 there were 6,967,025 common shares of the company issued and outstanding.

To the best of the knowledge of the directors and senior officers of the Corporation, the following persons beneficially own, directly or indirectly or exercise control or direction over, more than 10% of the issued and outstanding Common Shares of the Corporation:

Name	Number of Shares Beneficially Owned or Controlled or Directed	Percentage of 7,017,025 Outstanding Common Shares at March 11, 2007
Mr. Andrew Timothy Peterson Mississauga, Ontario	1,107,800	15.8%
Mr. Jacques Levesque Point Edward, Ontario	1,135,700	16.2%

Note: Subsequent to the year end on February 28, 2008 50,000 options to purchase shares were exercised under the company's stock option plan.

## Summary of Quarterly Results

Quarter Ended	Revenue	Income (Loss)	Income (Loss) Per Share	Total Assets	Total Long Term Financial Liabilities
<b>2007</b>					
December 31	\$1,732,921	\$134,862	\$0.019	\$4,425,340	\$967,909
September 30	\$1,927,949	\$204,344	\$0.036	\$3,900,715	\$591,604
June 30	\$1,781,120	\$101,561	\$0.018	\$3,478,370	\$608,246
March 31	\$1,622,282	\$139,692	\$0.025	\$2,979,714	\$346,427
<b>2006</b>					
December 31	\$1,345,778	\$92,216	\$0.015	\$2,443,134	\$356,719
September 30	\$1,166,844	\$67,403	\$0.012	\$2,498,530	\$376,490
June 30	\$1,002,570	\$48,079	\$0.009	\$2,232,457	\$387,335
March 31	\$1,342,761	\$102,088	\$0.019	\$2,310,474	\$397,924

## FOURTH QUARTER RESULTS

### Net Income

For the three months ending December 31, 2007, Nordex recorded a net income before taxes of \$171,006 compared to \$92,216 for the three months ending December 31, 2006. In the fourth quarter of 2007, there was a provision for income taxes for \$36,144 resulting in net income after tax of \$134,862.

### Revenue

Revenues increased by 28.8% in this period compared to the same period in 2006.

The Corporation's increase in revenues is primarily a result of increased trade with existing mining clients from the fourth quarter of 2006 and ongoing sales to new mining clients in the quarter that were not clients in the fourth quarter of 2006. Additionally, increased revenue resulted from an increase in sales to construction drilling companies.

### Cost of Sales

Gross profit margins were 28.1% for Q4 2007 compared to 29.0% for Q4 2006. The slight decrease in gross profit margins resulted from increased costs for raw materials and product for resale but these increases were mostly offset by the increase in the Canadian dollar and resulting economic benefit for purchases from some US suppliers as well as further economies of scale relating to plant wages and other expenses resulting from increased sales.

**Selling, General and Administrative**

Selling, General and Administrative expenses include marketing, customer support, executive personnel, professional services, office and occupancy costs required to manage the corporation and, for the three months ending December 31, 2007, increased slightly to \$282,660 compared to \$276,806 for the three months ending December 31, 2006.

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including Nordex's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), and the Audit Committee on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by the MD&A, management of Nordex (including the CEO and the CFO) and the Audit Committee evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian Securities laws. Based on that evaluation the CEO, the CFO and the Audit Committee have concluded, that as of the end of the period covered by this MD&A with the exception noted in the following section (Internal Control Over Financial Reporting) , the disclosure controls and procedures implemented are effective to provide reasonable assurance that the information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings of the Canadian Securities Administrators) and other reports filed or submitted under Canadian Securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation (including the CEO and CFO) and the Audit Committee as appropriate to allow timely discussions regarding required disclosure.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for designing internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Canadian generally accepted accounting principals.

Management has concluded that, as of December 31, 2007, there were weaknesses in the systems of internal control due to the small size of the company and its inability to segregate functions related to control, and the limited professional accounting expertise of the company's employees. The company determined that it would remediate these weaknesses by expanding the number of employees with accounting expertise that are involved in the accounting function as the company incurs growth. In addition, the services of a professional accounting firm are used to prepare the Corporation's Quarterly interim financial statements.

During the third quarter of 2007, the company hired a Finance Manager who provides accounting and financial management to the Company over financial reporting and internal controls, including review of the organization's accounting system processes and the implementation of procedures designed to address internal control weaknesses relating to cash disbursements, working capital management and financial reporting.

**OTHER INFORMATION**

Additional Information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting John Kozak, President & CEO of the Corporation at:

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