
LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

N.R. McLEOD
CHARTERED ACCOUNTANT

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AUDITORS' REPORT

To the Shareholders of
Les Explosifs Nordex Ltee./ Nordex Explosives Ltd.

I have audited the consolidated balance sheets of **Les Explosifs Nordex Ltee./ Nordex Explosives Ltd.** as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

North Bay, Canada

N. R. McLeod, C.A.



February 28, 2008

Licensed Public Accountant

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 768,190	\$ 57,559
Accounts receivable	1,045,142	1,027,908
Inventories (Note 2)	1,149,207	313,949
	2,962,539	1,399,416
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 3)	1,462,801	1,043,718
	\$ 4,425,340	\$ 2,443,134
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,028,720	\$ 1,118,050
Income taxes payable	36,144	-
Current portion of long-term debt (Note 4)	141,485	42,206
	1,206,349	1,160,256
LONG-TERM DEBT (Note 4)	826,224	314,513
	2,032,573	1,474,769
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	1,967,082	1,129,681
OPTIONS (Note 6)	12,369	6,386
CONTRIBUTED SURPLUS	227,249	226,690
RETAINED EARNINGS (DEFICIT)	186,067	(394,392)
	2,392,767	968,365
	\$ 4,425,340	\$ 2,443,134

APPROVED BY THE BOARD OF DIRECTORS:

"Andrew Timothy Peterson"
ANDREW TIMOTHY PETERSON
DIRECTOR

"John C. Kozak"
JOHN C. KOZAK
DIRECTOR

See accompanying notes to the financial statements.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.**CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)****YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
SALES (Schedule 1)	\$ 7,064,272	\$ 4,857,953
COST OF GOODS SOLD (Schedule 1)	5,286,400	3,640,210
GROSS PROFIT	1,777,872	1,217,743
EXPENSES		
Administrative (Schedule 1)	1,009,955	803,485
Amortization	108,593	69,047
Interest on long-term debt	42,721	35,990
	1,161,269	908,522
INCOME BEFORE PROVISION FOR INCOME TAXES	616,603	309,221
PROVISION FOR INCOME TAXES	36,144	-
INCOME	580,459	309,221
DEFICIT, beginning of year	(394,392)	(703,613)
RETAINED EARNINGS (DEFICIT), end of year	\$ 186,067	\$ (394,392)
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.098	\$ 0.057
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	5,943,825	5,451,959

See accompanying notes to the financial statements.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
OPERATING ACTIVITIES		
INCOME	\$ 580,459	\$ 309,221
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Amortization	108,593	69,047
Stock based compensation	10,822	5,779
DECREASE (INCREASE):		
Accounts receivable	(17,234)	(402,329)
Inventory	(835,258)	(43,359)
INCREASE (DECREASE):		
Accounts payable	(89,331)	71,928
Income taxes payable	36,144	-
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	(205,805)	10,287
FINANCING ACTIVITIES		
Issue (repayment) of long-term debt	610,990	(51,738)
Share Options Exercised	6,833	(15,436)
Issuance of common shares	826,288	43,661
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	1,444,111	(23,513)
INVESTING ACTIVITIES		
Purchase of capital assets	(527,675)	(283,255)
CASH FLOWS USED IN INVESTING ACTIVITIES	(527,675)	(283,255)
CHANGE IN CASH DURING THE YEAR	710,631	(296,481)
CASH, beginning of year	57,559	354,040
CASH, end of year	\$ 768,190	\$ 57,559

See accompanying notes to the financial statements.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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) 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 year.

(b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short term investments.

(c) 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.

(d) 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%
Mobile equipment	25%
Laboratory equipment	10%
Office equipment and furniture	10%

Plant and equipment assets are not amortized until they are put into use.

(e) REVENUE

The customer recognizes sales at the time ownership passes to the customer which occurs upon delivery of the goods to the customer.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(j) 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 2007	2006
Land and land improvements	\$ 45,094	\$ -	\$ 45,094	\$ 45,094
Buildings	950,694	308,309	642,385	520,534
Plant, machinery and equipment	773,810	340,187	433,623	332,398
Office equipment and furniture	49,310	29,574	19,736	15,858
Laboratory equipment	15,453	6,772	8,681	9,689
Mobile equipment	810,002	496,720	313,282	120,145
Totals	\$ 2,644,363	\$ 1,181,562	\$ 1,462,801	\$ 1,043,718

Depreciation expense for the year amounted to \$108,593 (2006 - \$69,047).

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 AND 2006

4. LONG-TERM DEBT

	2007	2006
Loan bearing interest at 8% per annum, repayable in blended monthly installments of \$995, secured by a vehicle. Maturing in 2008.	\$ 4,876	\$ 15,936
Loan bearing interest at 8.6% per annum, repayable in blended monthly installments of \$643, secured by a vehicle. Maturing in 2011.	22,294	-
Loan bearing interest at 7.3% per annum, repayable in blended monthly installments of \$2,453, secured by a vehicle. Maturing in 2009.	35,083	-
Loan bearing interest at 8.8% per annum, repayable in blended monthly installments of \$733, secured by a vehicle. Maturing in 2011.	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.	85,749	-
Loan bearing interest at 8.2% per annum, repayable in monthly installments of \$2,225 plus interest, secured by specific assets. Maturing in 2022.	393,825	-
Loan bearing interest at 8.2% per annum, repayable in monthly installments of \$4,700 plus interest, secured by specific assets. Maturing in 2015.	400,000	-
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. Paid off in full during 2007.	-	340,783
	967,709	356,719
Current portion	141,485	42,206
	\$ 826,224	\$ 314,513
Approximate principal repayments are as follows:		
2008		\$ 141,485
2009		\$ 118,185
2010		\$ 112,832
2011		\$ 104,368
2012		\$ 80,393
Subsequent to 2012		\$ 410,446
		\$ 967,709

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 AND 2006

5. SHARE CAPITAL

(a) AUTHORIZED

12,000,000 common shares

(b) ISSUED

	Number of Shares	Amount
Balance, January 1, 2007	5,626,000	\$ 1,129,681
Private placement	1,307,692	850,000
Options exercised	<u>33,333</u>	<u>6,833</u>
	6,967,025	1,986,514
Share issuance costs	-	(23,712)
Black-scholes value of options exercised	<u>-</u>	<u>4,280</u>
Balance, December 31, 2007	<u>6,967,025</u>	<u>\$ 1,967,082</u>

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.

During the fourth quarter, the Company completed a private placement of 1,307,692 common shares, at \$0.65 per share, for gross proceeds of \$850,000. The net proceeds of the offering will be used for the expansion of the Company's existing manufacturing facilities, working capital and for general corporate purposes.

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
76,667	21 cents	November 28, 2010
35,000	50 cents	December 14, 2011
65,000	70.5 cents	June 25, 2012

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 AND 2006

6. STOCK OPTIONS (CONT'D)

Stock options issued are as follows:

	Number of shares	2007 Weighted average exercise price
Options outstanding as at beginning of year	155,000	\$ 0.27
Granted	65,000	0.71
Exercised	(33,333)	0.21
Forfeited	(10,000)	0.21
Options outstanding at year end	176,667	\$ 0.45
Options exercisable at year end	53,334	0.27

Exercise price	Options outstanding	Options exercisable	Outstanding options weighted average contractual life (years)	Exercisable options weighted average contractual life (years)
\$ 0.21	76,667	41,667	1.31	2.28
0.50	35,000	11,667	0.76	0.87
0.71	65,000		1.61	
	176,667	53,334	3.68	3.15

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. 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. ACCOUNTS RECEIVABLE CONCENTRATION AND ECONOMIC DEPENDENCE

The company derives the majority of its revenue from the mining industry. Three customers comprised approximately 59% (2006 - 79%) of the accounts receivable at the year end. The revenue derived from these customers also approximated 60% (2006 - 79%) for the year.

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2007 AND 2006

9. INCOME TAXES

Income for taxation purposes differs from the amounts that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to loss before income taxes. This difference results from the following:

	2007	2006
Income before income taxes	\$ 616,603	\$ 309,221
Combined basic federal and provincial tax rate	36.12 %	36.12 %
Expected income tax	\$ 222,717	\$ 111,691
Increase (decrease) in income taxes resulting from:		
Depreciation claimed in excess of capital cost allowance	-	24,940
Capital cost allowance claimed in excess of depreciation	(52,204)	-
Non-deductible expenditures	6,304	-
Tax losses utilized	(53,239)	(136,631)
SR&ED expenditures claimed	(87,434)	-
	\$ 36,144	\$ -

Significant components of the Company's future income tax assets are as follows:

	2007	2006
Operating losses carried forward	\$ -	\$ 56,110
Tax values of capital assets in excess of accounting values	74,248	70,377
Total future income tax assets	74,248	126,487
Valuation allowance	(74,248)	(126,487)
	\$ -	\$ -

The Company 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 investments tax credits available to reduce taxes otherwise payable of \$35,031.

10. 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 directors 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 an additional \$40,510 was owing to the directors (2006 - \$112,400).

Another officer and director of the Company is a partner in a legal firm that provides 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.

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.

11. LEASE COMMITMENTS

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

2008	\$	14,693
2009	\$	5,244

LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

YEARS ENDED DECEMBER 31, 2007 AND 2006

REVENUE	2007	2006
Sale of product	\$ 6,669,847	\$ 4,635,786
Freight	338,125	221,687
Other	56,300	480
	\$ 7,064,272	\$ 4,857,953
COST OF GOODS SOLD		
Materials Purchased	\$ 4,146,832	\$ 2,878,319
Freight	322,118	228,460
Commissions	253,505	139,979
Wages & benefits	563,945	393,452
	\$ 5,286,400	\$ 3,640,210
ADMINISTRATIVE EXPENSES		
Consultants	\$ 25,320	\$ 105,084
Insurance	108,557	112,599
Utilities	37,550	29,389
Wages & benefits	476,162	310,515
Professional fees	135,422	72,996
Public company expenses	36,673	23,672
Miscellaneous	190,271	149,230
TOTAL	\$ 1,009,955	\$ 803,485