



**LES EXPLOSIFS NORDEX**

**LTEE./NORDEX EXPLOSIVES LTD.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTH PERIOD ENDED MARCH 31, 2010**

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Responsibility for Interim Financial Statements

The accompanying unaudited interim financial statements for Les Explosifs Nordex Ltee./Nordex Explosives Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the audited December 31, 2009 financial statements. Only changes in accounting information have been disclosed in these unaudited interim financial statements. These unaudited interim financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of these unaudited interim financial statements, management is satisfied that these unaudited interim financial statements have been fairly presented.

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

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

May 26, 2010

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.

"Bruce Bent"  
Director

"John Kozak"  
Director

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2010 AND DECEMBER 31, 2009

|   | MARCH 31<br>2010 | DECEMBER 31<br>2009 |
|---|------------------|---------------------|
| <b>ASSETS</b>                                 |                  |                     |
| CURRENT ASSETS                                |                  |                     |
| Cash  | \$ 417,289       | \$ 258,322          |
| Accounts receivable                           | 1,630,571        | 1,262,808           |
| Inventories (Note 2)                          | 1,276,184        | 1,074,830           |
|   | 3,324,044        | 2,595,960           |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 3) | 3,057,454        | 2,976,199           |
|   | \$ 6,381,498     | \$ 5,572,159        |
| <b>LIABILITIES</b>                            |                  |                     |
| CURRENT LIABILITIES                           |                  |                     |
| Accounts payable and accrued liabilities      | \$ 1,899,716     | \$ 1,390,905        |
| Income taxes payable                          | 46,307           | -                   |
| Current portion of long-term debt (Note 5)    | 177,656          | 177,152             |
|   | 2,123,679        | 1,568,057           |
| LONG-TERM DEBT (Note 5)                       | 890,063          | 934,670             |
| FUTURE INCOME TAXES PAYABLE                   | 126,942          | 61,870              |
|   | 3,140,684        | 2,564,597           |
| <b>SHAREHOLDERS' EQUITY</b>                   |                  |                     |
| SHARE CAPITAL (Note 6)                        | 1,998,793        | 1,988,238           |
| OPTIONS (Note 7)                              | 121,465          | 106,722             |
| CONTRIBUTED SURPLUS                           | 228,753          | 228,753             |
| RETAINED EARNINGS                             | 891,803          | 683,849             |
|   | 3,240,814        | 3,007,562           |
|   | \$ 6,381,498     | \$ 5,572,159        |

ON BEHALF OF THE BOARD:

"Bruce Bent"

BRUCE BENT  
DIRECTOR

"John C. Kozak"

JOHN C. KOZAK  
DIRECTOR

See accompanying notes.



**LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.****CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS****THREE MONTH PERIODS ENDED MARCH 31**

|   | 2010           | 2009             |
|---|----------------|------------------|
| SALES (Schedule 1)                          | \$ 2,794,974   | \$ 1,272,345     |
| COST OF GOODS SOLD (Schedule 1)             | 2,022,371      | 1,114,724        |
| GROSS PROFIT                                | 772,603        | 157,621          |
| EXPENSES                                    |                |                  |
| Administrative (Schedule 1)                 | 344,439        | 226,276          |
| Amortization                                | 64,329         | 48,801           |
| Interest on long-term debt                  | 18,643         | 18,068           |
| Stock based compensation (Note 7)           | 18,465         | 15,744           |
| Bad debt                                    | -              | 29,004           |
|   | 445,876        | 337,893          |
| INCOME (LOSS) BEFORE UNDERNOTED             | 326,727        | (180,272)        |
| PROVISION FOR INCOME TAXES (Note 10)        | 53,701         | -                |
| FUTURE INCOME TAX EXPENSE (Note 10)         | 65,072         | -                |
| <b>INCOME (LOSS)</b>                        | <b>207,954</b> | <b>(180,272)</b> |
| RETAINED EARNINGS, beginning of period      | 683,849        | 159,241          |
| RETAINED EARNINGS (DEFICIT), end of period  | \$ 891,803     | \$ (21,031)      |
| BASIC AND DILUTED EARNINGS (LOSS) PER SHARE | \$ 0.030       | \$ (0.026)       |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES    | 7,045,174      | 7,017,025        |

See accompanying notes.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTH PERIODS ENDED MARCH 31

|  | 2010              | 2009                |
|--|-------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>                                      |                   |                     |
| <b>INCOME (LOSS)</b>   | <b>\$ 207,954</b> | <b>\$ (180,272)</b> |
| ADD ITEMS NOT<br>REQUIRING A CASH OUTLAY                         |                   |                     |
| Amortization   | 64,329            | 48,801              |
| Stock based compensation   | 18,465            | 15,744              |
| Future income taxes payable                                      | 65,072            | -                   |
| DECREASE (INCREASE):   |                   |                     |
| Accounts receivable  | (367,763)         | (400,445)           |
| Inventory  | (201,354)         | 194,322             |
| INCREASE (DECREASE):   |                   |                     |
| Accounts payable   | 508,811           | 217,478             |
| Income taxes payable   | 46,307            | -                   |
| <b>CASH FLOWS PROVIDED<br/>BY (USED IN) OPERATING ACTIVITIES</b> | <b>341,821</b>    | <b>(104,372)</b>    |
| <b>FINANCING ACTIVITIES</b>                                      |                   |                     |
| Repayment of long-term debt                                      | (44,103)          | (37,516)            |
| Net proceeds from issuance of capital stock                      | 6,833             | -                   |
| <b>CASH FLOWS USED<br/>BY FINANCING ACTIVITIES</b>               | <b>(37,270)</b>   | <b>(37,516)</b>     |
| <b>INVESTING ACTIVITIES</b>                                      |                   |                     |
| Purchase of capital assets                                       | (145,584)         | (5,084)             |
| <b>CASH FLOWS USED<br/>IN INVESTING ACTIVITIES</b>               | <b>(145,584)</b>  | <b>(5,084)</b>      |
| <b>CHANGE IN CASH<br/>DURING THE PERIOD</b>                      | <b>158,967</b>    | <b>(146,972)</b>    |
| CASH, beginning of period  | 258,322           | (73,358)            |
| CASH, end of period  | \$ 417,289        | \$ (220,330)        |
| <b>CASH FLOW SUPPLEMENTARY INFORMATION</b>                       |                   |                     |
| Interest paid  | \$ 22,188         | \$ 25,277           |

See accompanying notes.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

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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, 2009.

#### (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

Inventories are valued at 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 revenue 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)

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

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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 7. Any consideration paid upon exercise of options and issues of shares is credited to share capital. The fair value of each option at the date of grant was estimated using the Black-Scholes option pricing model and accreted over the vesting period of the stock options.

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

The financial instruments of the Company consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and long term debt. In the opinion of management, the Company is not exposed to material or significant interest, currency, liquidity, market and/or credit risk arising from these financial instruments, except as noted in Note 8 – Financial Instruments.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

#### (I) FUTURE ACCOUNTING CHANGES

The following Canadian accounting pronouncements were issued and not yet adopted by the Company. Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1582, Business Combinations, CICA Handbook Section 1601, Consolidated Financial Statements, CICA Handbook Section 1602, Non-controlling Interests and CICA Handbook Section 3064, Goodwill and Intangible Assets. The initial adoption of these new standards are not expected to have a material impact on the company's financial statements.

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

#### 3. PROPERTY, PLANT AND EQUIPMENT

|                                | COST         | ACCUMULATED<br>AMORTIZATION | Net<br>2010  | Net<br>2009  |
|--------------------------------|--------------|-----------------------------|--------------|--------------|
| Land and land improvements     | \$ 48,094    | \$ -                        | \$ 48,094    | \$ 48,094    |
| Buildings                      | 1,065,658    | 355,926                     | 709,732      | 710,894      |
| Plant, machinery and equipment | 2,098,471    | 478,922                     | 1,619,549    | 1,608,134    |
| Office equipment and furniture | 51,377       | 33,985                      | 17,392       | 17,832       |
| Laboratory equipment           | 33,095       | 10,016                      | 23,079       | 22,040       |
| Mobile equipment               | 1,390,809    | 751,201                     | 639,608      | 569,205      |
| Totals                         | \$ 4,687,504 | \$ 1,630,050                | \$ 3,057,454 | \$ 2,976,199 |

Amortization expense for the period amounted to \$64,329 (2009 - \$48,801).

#### 4. LINE OF CREDIT

The Company has an operating line that is equal to the minimum of (a) \$500,000 or (b) 75% of receivables plus 25% of inventory (to a maximum of \$250,000) calculated at the end of each month.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

#### 5. LONG-TERM DEBT

|  | 2010              | 2009       |
|--|-------------------|------------|
| Loan bearing interest at 7.3% per annum, repayable in monthly installments of \$2,380 plus interest, secured by specific assets. Maturing in 2016. | \$ 176,120        | \$ 183,260 |
| Loan bearing interest at 8.6% per annum, repayable in blended monthly installments of \$643, secured by a vehicle. Maturing in 2011.               | \$ 7,955          | \$ 9,688   |
| Loan bearing interest at 8.8% per annum, repayable in blended monthly installments of \$733 secured by a vehicle. Maturing in 2011.                | 9,722             | 11,679     |
| Loan bearing interest at 3.2% per annum, repayable in blended monthly installments of \$1,834, secured by specific equipment. Maturing in 2012.    | 40,862            | 46,010     |
| Loan bearing interest at 7.5% per annum, repayable in monthly installments of \$4,170 plus interest, secured by specific assets. Maturing in 2015. | 287,730           | 300,240    |
| Loan bearing interest at 7.5% per annum, repayable in monthly installments of \$2,980 plus interest, secured by specific assets. Maturing in 2016. | 211,580           | 220,520    |
| Loan bearing interest at 7.5% per annum, repayable in monthly installments of \$2,225 plus interest, secured by specific assets. Maturing in 2022. | 333,750           | 340,425    |
|  | <b>1,067,719</b>  | 1,111,822  |
| Current portion  | <b>(177,656)</b>  | (177,152)  |
|  | <b>\$ 890,063</b> | \$ 934,670 |

Approximate principal repayments are as follows:

|            |                     |
|------------|---------------------|
| 2011       | \$ 177,656          |
| 2012       | \$ 163,003          |
| 2013       | \$ 141,060          |
| 2014       | \$ 141,060          |
| 2015       | \$ 141,060          |
| Subsequent | \$ 303,880          |
|            | <b>\$ 1,067,719</b> |

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

#### 6. SHARE CAPITAL

##### (a) AUTHORIZED

12,000,000 common shares

##### (b) ISSUED

|  | Number of Shares | Amount              |
|--|------------------|---------------------|
| Balance, December 31, 2009               | 7,017,025        | \$ 1,988,238        |
| Options exercised                        | <u>33,334</u>    | <u>6,833</u>        |
|  | 7,050,359        | 1,995,071           |
| Black-scholes value of options exercised | <u>-</u>         | <u>3,722</u>        |
| Balance, March 31, 2010                  | <u>7,050,359</u> | <u>\$ 1,998,793</u> |

During the period 33,334 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.

#### 7. STOCK OPTIONS

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. The New Stock Option Plan was approved again at the Annual and Special Meeting of Shareholders held on May 22, 2009.

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       |
|------------------|----------------|-------------------|
| 5,000            | 21 cents       | November 28, 2010 |
| 23,333           | 50 cents       | December 14, 2011 |
| 65,000           | 71 cents       | June 25, 2012     |
| 232,500          | 48 cents       | March 23, 2013    |
| 275,035          | 33 cents       | August 22, 2014   |

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

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

Stock options issued are as follows:

|   | Number of shares | 2010<br>Weighted average exercise price |
|---|------------------|---|
| Options outstanding as at beginning of period | 634,202          | \$ 0.49                                 |
| Exercised                                     | (33,334)         | 0.21                                    |
| Options outstanding at period end             | 600,868          | \$ 0.52                                 |
| Options exercisable at period end             | 226,666          | 0.54                                    |

| Exercise price | Options outstanding | Options exercisable | Outstanding options weighted average contractual life (years) | Exercisable options weighted average contractual life (years) |
|----------------|---------------------|---------------------|---|---|
| \$ 0.21        | 5,000               | 5,000               | 0.01  | 0.03  |
| 0.50           | 23,333              | 23,333              | 0.08  | 0.31  |
| 0.71           | 65,000              | 43,333              | 0.27  | 0.72  |
| 0.48           | 232,500             | 155,000             | 1.25  | 2.21  |
| 0.33           | 275,035             |                     | 2.13  |   |
| \$ 0.43        | 600,868             | 226,666             | 3.73  | 2.90  |

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 value ascribed to unexercised options recorded as a component of shareholders' equity is as follows:

|                               | 2010       | December 31<br>2009 |
|-------------------------------|------------|---------------------|
| Balance - Beginning of period | \$ 106,722 | \$ 48,484           |
| Accretion of options granted  | 18,465     | 59,742              |
| Exercise of options           | (3,722)    | (1,504)             |
| Balance - End of period       | \$ 121,465 | \$ 106,722          |

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 | \$0.29      |

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

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#### 8. FINANCIAL INSTRUMENTS

As at March 31, 2010, the financial instruments of the Company consist of bank overdraft, accounts receivable, accounts payable and accrued liabilities and long term debt. These financial instruments are classified as follows:

| Financial Instrument                     | Classification                      | Basis          | Amount       |
|--|-------------------------------------|----------------|--------------|
| Cash and cash equivalents                | Held for Trading                    | Fair value     | \$ 417,289   |
| Accounts receivable (a)                  | Loans and receivables               | Amortized cost | \$ 1,630,571 |
| Bank overdraft                           | Held for Trading                    | Fair value     | \$ NIL       |
| Accounts payable and accrued liabilities | Other financial liability           | Amortized cost | \$ 1,899,716 |
| Long term debt (b)                       | Other liabilities, held to maturity | Amortized cost | \$ 1,067,719 |

(a) The carrying value of accounts receivables are net of a general allowance for doubtful accounts in the amount of \$43,302. During the current period the Company accrued \$Nil for doubtful accounts.

(b) The carrying value of Long Term Debt is amortized cost which approximates fair value.

The Board of Directors of the Company has overall responsibility for the oversight of the Company's risk management framework and the objectives of minimizing risk. Risk management procedures are established to monitor the risks faced by the company. The reduction in commodity prices combined with a more restrictive credit market has increased the Company's risk with respect to the profitable operations of mining clients. There have been no changes in the risk management objectives in the period.

#### CREDIT RISK

The Company has exposure to an individual customer for the amount of \$481,022. The Company does not have a significant exposure to any other individual customer or counter party. Approximately 80% of the Company's sales are concentrated in the mining industry. The Company reviews a new customer's credit history before extending credit and conducts regular review of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. The allowance for doubtful accounts for March 31, 2010 was \$43,302 (December 31, 2009 - \$43,302).

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

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### 8. FINANCIAL INSTRUMENTS (Cont'd)

#### LIQUIDITY RISK

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company intends on fulfilling its obligations.

#### INTEREST RATE RISK

The Company is exposed to interest rate risk as its bank overdraft is at a variable rate. Hence, the interest cost will fluctuate with market changes in the bank rate. A one per cent change in interest rates would not materially affect the Company's earnings, cash flow or financial position. Long-term debt is at fixed rates.

#### CURRENCY RISK

The Company is exposed to currency risk as several of its supplier contracts are completed within US dollars. Hence, the cost of goods sold will fluctuate with market changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and the majority of purchases are transacted in Canadian dollars.

#### SENSITIVITY ANALYSIS

The carrying amount of financial instruments approximates their fair market value. The movement on long term debt interest rates of plus or minus 1% would affect net income by approximately \$9,000. A movement of plus or minus 1% on the US Dollar exchange rate would affect net income by approximately \$15,000.

### 9. CAPITAL MANAGEMENT

The Company manages cash and cash equivalents, long term debt, common shares, stock options and other equity as capital. The amounts of these capital items are disclosed in the Balance Sheet.

The objectives of the Company in managing capital are as follows:

- to provide security for ongoing operations and future growth
- to ensure balance of capital funding and cost of capital
- to provide a strong capital base so as to maintain investor, creditor and market confidence
- to maintain required working capital and debt equity ratio
- to provide value for shareholders

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

#### 9. CAPITAL MANAGEMENT (CONT'D)

The Company manages its capital structure in the context of economic and market conditions as well as related risks on the nature of the capital, and the planned use of the capital. To meet these objectives the Company targets and forecasts its long term cash flow to achieve positive net current asset working capital and available cash resources. The Company has consistently met its required annual working capital and debt equity ratios.

The debt to equity ratio as at March 31, 2010 was 0.97.

The Company has complied with all of its externally imposed capital requirements during the period.

#### 10. 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:

|  | 2010       | 2009         |
|--|------------|--------------|
| Income (loss) before income taxes                        | \$ 326,727 | \$ (180,272) |
| Combined basic federal and provincial tax rate           | 31.00 %    | 31.00 %      |
| Expected income tax (recovery)                           | \$ 101,285 | \$ (55,884)  |
| Increase (decrease) in income taxes resulting from:      |            |              |
| Capital cost allowance claimed in excess of depreciation | (23,250)   | (14,632)     |
| Non-deductible expenditures                              | 13,397     | 4,856        |
| Tax losses utilized                                      | (37,731)   | -            |
| Valuation allowance                                      | -          | 65,660       |
|  | \$ 53,701  | \$ -         |

Significant components of the Company's deferred tax assets (liabilities) are as follows:

|   | 2010         | 2009      |
|---|--------------|-----------|
| Operating losses carried forward                            | \$ -         | \$ 35,090 |
| Tax values of capital assets in excess of accounting values | (126,942)    | (87,318)  |
| Investment tax credits                                      | -            | -         |
| Total deferred tax assets                                   | (126,942)    | (52,228)  |
| Valuation allowance   | -            | 52,228    |
| Net deferred tax asset                                      | \$ (126,942) | \$ -      |

The Company accrued a future tax expense of \$65,072. This amount together with the balance outstanding at December 31, 2009, of \$61,870, reconcile to the net deferred tax asset balance. The accrual resulted from the the book value of assets on the balance sheet exceeding the book value of assets recorded for tax purposes.

#### 11. MINING CLAIMS

The Company holds various mining claims in the Township of Melba located 22 kilometres north of Kirkland Lake, Ontario. At this time, the Company has no plans to carry out exploration work on these claims.

# LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.

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

### THREE MONTH PERIODS ENDED MARCH 31, 2010 & 2009

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#### 12. RELATED PARTY TRANSACTIONS

During the quarter ending March 31, 2009, the Company accrued \$18,000 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 \$37,140 in legal fees to the company. An officer of the company is a partner in a public accounting firm that provides services to the Company. The Company paid, or accrued, \$850 in officer fees and \$21,016 in accounting fees to the firm. At March 31, 2009 \$18,000 was owing to the directors (December 31, 2009 - \$NIL).

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.

#### 13. SUBSEQUENT EVENTS

Subsequent to March 31, 2010, in April 2010, the Corporation opened a credit facility with TD Bank for up to \$1,200,000. The credit facility is available to Nordex for an operating line and/or letters of credit of up to \$800,000 and for revolving term loans of up to \$400,000. Under the terms of the Agreement, the total combined credit available is equal to the lesser of (a) \$1,200,000 and (b) 75% of accounts receivables plus 33% of eligible inventory calculated at the end of each month. Eligible inventory is defined as total inventory less 30 day priority accounts payable. Based on this calculation, the Corporation's credit facility during April 2010 was \$1,200,000.

**LES EXPLOSIFS NORDEX LTEE./NORDEX EXPLOSIVES LTD.****THREE MONTH PERIODS ENDED MARCH 31, 2010**

| <b>REVENUE</b>  | <b>2010</b>         | <b>2009</b>         |
|-----------------|---------------------|---------------------|
| Sale of product | \$ 2,645,640        | \$ 1,194,120        |
| Freight         | 139,252             | 72,125              |
| Other           | 10,082              | 6,100               |
|                 | <b>\$ 2,794,974</b> | <b>\$ 1,272,345</b> |

| <b>COST OF GOODS SOLD</b> | <b>2010</b>         | <b>2009</b>         |
|---------------------------|---------------------|---------------------|
| Materials Purchased       | \$ 1,484,475        | \$ 841,012          |
| Freight                   | 141,063             | 52,998              |
| Commissions               | 72,892              | 31,477              |
| Wages & benefits          | 298,089             | 169,856             |
| Utilities                 | 25,852              | 19,381              |
|                           | <b>\$ 2,022,371</b> | <b>\$ 1,114,724</b> |

| <b>ADMINISTRATIVE EXPENSES</b> | <b>2010</b>       | <b>2009</b>       |
|--------------------------------|-------------------|-------------------|
| Consultants                    | \$ 22,301         | \$ 1,000          |
| Insurance                      | 33,079            | 27,009            |
| Office                         | 10,687            | 8,249             |
| Wages & benefits               | 136,106           | 81,993            |
| Professional fees              | 76,679            | 55,496            |
| Public company expenses        | 16,401            | 8,057             |
| Interest and bank charges      | 3,545             | 7,209             |
| Travel and expenses            | 15,796            | 24,759            |
| Licenses and permits           | 12,038            | 3,926             |
| Advertising                    | 2,119             | 2,295             |
| Training and courses           | 1,692             | 652               |
| Miscellaneous                  | 13,996            | 5,631             |
| <b>TOTAL</b>                   | <b>\$ 344,439</b> | <b>\$ 226,276</b> |