



LES EXPLOSIFS NORDEX LTEE/NORDEX EXPLOSIVES LTD.

**MANAGEMENT DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations
for the twelve months ended December 31, 2009**

Dated: March 3, 2010

The following information should be read in conjunction with the Corporation's audited December 31, 2009, 2008 and 2007 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 construction industries. Its manufacturing operations and distribution centre is strategically located near Kirkland Lake, Ontario in one of the world’s largest mining regions. The Corporation continues to maintain its manufacturing explosives licence in good standing and is researching the possibility of offering new explosive products and services for its clients.

The results for the fiscal year ending December 31, 2009, reflect operations of the Corporation for the twelve month period commencing January 1, 2009. Comparative financial results are for the fiscal year commencing January 1, 2008 and ending on December 31, 2008.

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 period-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.

EXECUTIVE SUMMARY

The fiscal year ending December 31, 2009 was highlighted by record sales and significant milestones.

In 2009, Nordex’s annual sales were the highest in the history of the Corporation. Sales during the first quarter of 2009 were still affected by the global recession, the downturn in the mining industry and the continued suspension of mining operations by several clients that had commenced in 2008. After the first quarter of 2009, the Corporation increased its sales substantially. The final three quarters of 2009 were the three highest sales periods in the history of Nordex. These record sales are primarily a result of the following items:

- securing new mining clients,
- retaining previous mining clients who resumed or increased operations during the year, and
- diversifying Nordex’s client base further in the non mining sectors, specifically the quarry and construction industries.

Gross margins in 2009 increased over 2008 levels. Shareholders equity grew substantially during the year. The Corporation continued to strengthen its balance sheet over the last year with working capital growing by 72% from approximately \$600,000 at the start of 2009 to just over \$1,000,000 at the end of the year.

Additionally, the Corporation achieved many significant milestones during 2009, some of which appear below.

- The opening of its new emulsion explosives plant.
- Singing of a two year contract with Apollo Gold Corporation for their Black Fox Project.
- Partnering with Davey Bickford Canada Inc., to expand Nordex’s product and services offering to include digital detonators.
- Signing of a five year agreement with Liberty Mines Inc. for their mines throughout Canada.
- Signing of a two year agreement with St. Andrew Goldfields Ltd. for their Holloway-Hislop mines.
- The development and regulatory approval of a portable pumping unit for the loading of bulk emulsion in underground mines.

Nordex has made a significant capital expenditure to construct the new emulsion explosives plant at Nordex's manufacturing and operations facility in Kirkland Lake. Nordex has acquired the exclusive Canadian rights for this unique manufacturing technology, which produces one of the most stable emulsion explosives in the world. The plant can produce detonator sensitive and booster sensitive emulsion explosives in both packaged and bulk form. The plant can manufacture underground and surface emulsion explosives.

During 2008 and 2009, Nordex made a focused effort to expand its client base beyond mining. In 2009, Nordex increased its operating capacity and services offering by introducing new manufacturing facilities, products, specialized equipment and trucks. This allowed the Corporation to diversify further outside of its core mining customers to the quarry and construction sectors.

Management expects that 2010 will be another successful year for Nordex. The Corporation continues to develop new products, services and equipment which will be introduced during 2010. Record sales are expected for the upcoming year along with continued growth of shareholders equity and the further strengthening of the Corporation's balance sheet.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Financial Highlights

The following table sets forth certain financial information of the Corporation for the fiscal years ending December 31, 2009, 2008 and 2007.

Twelve Months ended December 31	2009	2008 (1)	2007 (1)
Sales	\$7,936,253	\$6,073,647	\$7,064,272
Cost of Goods Sold	\$6,157,503	\$4,788,380	\$5,323,950
Gross Profit	\$1,799,020	\$1,285,267	\$1,740,322
Gross Margin	22.7%	21.2%	24.6%
Administrative Expense	\$1,046,188	\$779,232	\$947,386
Bad Debt / (Recovery)	\$(240,295)	\$308,109	\$14,197
Income before Interest, Taxes and Amortization	\$973,127	\$197,926	\$778,739
Amortization Expense	\$245,990	\$138,167	\$108,593
Interest Expense	\$80,916	\$71,579	\$42,721
Stock Based Compensation Expense	\$59,742	\$43,579	\$10,822
Net Income (Loss) for the Period before tax	\$586,479	\$(55,399)	\$616,603
Net Income (Loss) for the Period after tax	\$524,609	\$(26,826)	\$580,459
Profit Margin	6.6%	(0.4)%	8.2%
Earnings (Loss) per Share	\$0.075	\$(0.004)	\$0.098
Cash Provided By (Used In) Operations	\$753,512	\$476,369	\$(205,805)
Cash (Deficiency) End of Period	\$258,322	\$(73,358)	\$768,190
Long Term Debt	\$1,111,822	\$1,076,369	\$967,709
Total Liabilities	\$2,564,596	\$1,931,334	\$2,032,573
Shareholders' Equity	\$3,007,563	\$2,423,212	\$2,392,767
Total Shares Outstanding at Period End	7,017,025	7,017,025	6,967,025

Note (1): Some of the comparative figures have been reclassified to conform to current year's presentation.

Dividend Record and Policy

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

Net Income

For the fiscal year ending December 31, 2009, Nordex recorded net income before tax of \$586,479 compared to a net loss before tax of \$55,399. In 2009, Nordex does not expect to pay income tax but has accrued \$61,870 for future income tax expense. This is explained in greater detail in the section below titled *Provision for Income Taxes*. Net income after the provision for future income tax expense was \$524,609 for 2009 compared to a net loss after tax of \$26,826 for 2008.

The increase in net income from the fiscal year ending December 31, 2009 compared to the fiscal year ending December 31, 2008 was a result of higher sales, higher gross margins and a net recovery of \$240,295 of bad debt expense which was accrued in the 2008 fiscal year. These items are explained in greater detail in the sections below.

Sales

Sales increased to \$7,936,253 in the fiscal year ending December 31, 2009 compared to \$6,073,647 in the fiscal year ending December 31, 2008. The 31% increase in year over year sales was primarily a result of the following:

- Nordex was able to retain previous mining customers who had suspended their mining operations in 2008 who resumed mining operations in 2009, including Liberty Mines Inc. and St. Andrew Goldfields Ltd.,
- The addition of Apollo Gold Corp. as a new mining client during the year, and
- A 180% increase in sales to customers in the quarry and construction industries.

Cost of Goods Sold and Gross Margins

Cost of Goods Sold was \$6,157,503 for the fiscal year ending December 31, 2009 compared to \$4,788,380 for the fiscal year ending December 31, 2008. Gross profit margin for the fiscal year ending December 31, 2009 increased to 22.7% compared to 21.2% for the fiscal year ending December 31, 2008.

During the year, competitive pressures caused the Corporation to reduce the selling price of some of its products to certain customers. Additionally, utilities increased due to increased trade and because the Corporation was manufacturing the majority of its emulsion explosives in 2009 when most of this product was being sourced from other manufacturers in 2008.

The reduction in selling prices and the increase in energy costs was more than offset by a reduction in cost of goods sold on a relative basis compared to 2008 resulting in the increase in gross margin in 2009. The reduction in the relative cost of goods sold is primarily a result of the following:

- The Corporation was manufacturing its own emulsion explosives at its new plant rather than reselling products from other manufacturers, resulting in a lower cost for these products,
- A lower average cost for ammonium nitrate during the year, a significant raw material for explosives, and
- The increase in the Canadian dollar relative the U.S. dollar in 2009 compared to 2008 as the Corporation purchased its detonators and some of its raw materials in U.S. dollars.

Administrative Expenses

Administrative expenses include selling, marketing, customer support, executive personnel, professional services, interest and bank charges (excluding interest on long term debt), office expense and occupancy costs required to manage the Corporation and do not include amortization, interest on long term debt and stock based compensation expense. Administrative expenses for the fiscal year ending December 31, 2009 increased to \$1,046,188 compared to \$779,232 for the fiscal year ending December 31, 2008. The following table breaks down the increase by category.

Expense Category	2009	2008 (1)	2009 Increase
Wages & Benefits	\$435,869	\$345,882	\$89,887
Professional Fees	\$177,813	\$99,323	\$78,490
Insurance	\$150,545	\$121,885	\$28,660
Travel	\$82,874	\$48,539	\$34,335
Office Expense	\$40,914	\$38,113	\$2,801
Public Company Expense	\$33,290	\$32,908	\$382
Consultants	\$29,593	\$17,225	\$12,368
Licenses & Permits	\$20,340	\$16,146	\$4,194
Advertising	\$17,931	\$13,194	\$4,737
Interest and Bank Charges	\$17,087	\$11,491	\$5,596
Training and Courses	\$5,355	\$626	\$4,729
Miscellaneous	\$34,577	\$33,900	\$677
Totals	\$1,046,188	\$779,232	\$266,956

Note (1): Some of the figures have been reclassified to conform to the current year's presentation.

The increase in wages & benefits is primarily a result of bonus accruals earned by management amounting to \$80,000 in 2009. No cash bonus was accrued or paid to management in 2008.

Professional fees increased due to legal costs associated with defending a motion brought against the Corporation and its directors and officers by a shareholder.

Insurance increased due to the increase in the number of trucks in the fleet and an increase in general liability coverage.

Travel increased due to the increase in sales agents, selling activity and business development during the year.

Consultant expense increased as the Corporation utilized third parties to assist in the development of new product, equipment and services during the year.

Licenses and permits expense increased primarily due to the increase in the number of trucks and the introduction of new explosive products during the year.

Advertising expense increased because of an increase in advertising and sponsorship during the year.

Interest on short term debt (i.e. operating line) and bank charges increased as the Corporation had fees associated with the development of a new credit facility and due to having to use its operating line at CIBC at various times during the year.

Interest on Long Term Debt

Interest on long term debt increased to \$80,916 compared to \$71,579 due to the higher level of long term debt resulting from a \$200,000 loan for a vehicle and equipment arranged during the second quarter of 2009.

Allowance for Bad Debt Expense

The Corporation had a net recovery of bad debt expenses of \$240,295 for the year ending December 31, 2009. In 2008, the Corporation expensed the sum of \$308,109 with respect to a doubtful account for monies owed to the Corporation by Liberty Mines Inc. ("Liberty")

On June 29th, 2009, Nordex announced “that it has agreed with Liberty to settle the outstanding amounts owed by Liberty to Nordex. Under the terms of the settlement, Liberty has paid Nordex \$268,054 of the \$308,109 owed and Nordex has agreed to forgive the remaining \$40,054. As a result of this settlement, Nordex has recorded a recovery of \$268,054 in its Financial Statements for the second quarter ending June 30, 2009.” Liberty at that time entered into a long term supply agreement with the Corporation for the supply of explosives products for its mines in Canada.

The Corporation has accrued the sum of \$27,759 as an additional bad debt expense during the year.

Provision for Income Taxes

The Corporation did not take a provision for current income taxes in the fiscal year ending December 31, 2009, as a result of prior year losses and tax credits carried forward in excess of income in 2009. The Corporation did take a provision for possible future income tax expense in the amount of \$61,870 due to the book value of assets on the balance sheet exceeding the book value of assets recorded for tax purposes. In previous years the Corporation did not record future tax assets in accordance with Canadian GAAP. Consequently, the future income tax expense is lower than it would have been if the Corporation had recorded these tax assets in previous years.

Retained Earnings

Retained Earnings were \$683,850 for the fiscal year ending December 31, 2009, compared to \$159,241 for the fiscal year ending December 31, 2008 with the change reflecting net income of \$524,609 during the year.

Inventories

Inventories decreased by 16% to \$1,074,830 for the fiscal year ending December 31, 2009 compared to \$1,244,620 for the fiscal year ending December 31, 2008 despite the fact that sales increased by 31%. Inventory values reduced primarily due to the Corporation manufacturing most of its own emulsions rather than reselling third party product and not having to maintain this third party product in inventory.

Property, Plant and Equipment

The total book value of Property, Plant and Equipment at fiscal year ending December 31, 2009 was \$2,976,199 compared to \$2,764,904 at fiscal year end December 31, 2008. The increase in these asset values is primarily due to the equipment purchases and work performed to complete the Corporation’s emulsion manufacturing facilities. The Corporation also added mobile equipment during the year including bulk emulsion trucks and portable pumping units for underground bulk emulsion delivery.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2009 the Corporation’s working capital had increased significantly to \$1,027,904 compared to \$595,952 at December 31, 2008. During the fiscal year ending December 31, 2009, there was an increase in the Corporation’s near-cash position and short-term deposits to \$258,322 from a bank overdraft of \$73,358 at fiscal year ending December 31, 2008. These increases are primarily a result of \$753,512 in cash flows provided by operating activities and the arrangement of long term debt for \$200,000 used to purchase capital assets during 2009. These gains in cash were somewhat offset by the purchase of capital assets for \$457,285 and the repayment of long term debt in the amount of \$164,547 during the year.

At December 31, 2009, the Corporation has a credit facility with the CIBC 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. The credit facility is for an operating line of up to \$300,000 and letters of credit up to \$200,000. At December 31, 2009, the Corporation’s credit facility was \$500,000.

Current Liabilities increased to \$1,568,056 at December 31, 2009 from \$993,690 at December 31, 2008 primarily due to the increase in accounts payables resulting from the increase in trade leading up to the end of the 2009 year compared to the end of the 2008 year. The current portion of long term debt also increased as a result of the Corporation taking out a \$200,000 loan in the second quarter of 2009, contributing to the increase in current liabilities.

In management's opinion, as of December 31, 2009, Nordex was able to continue at its then current level of operations in the near term and had adequate means to finance these operations at the then current levels.

During the first two months of fiscal 2010, Nordex experienced significantly increased levels of demand for products from existing clients, and anticipates this trend to continue throughout the fiscal 2010 year. Additionally, it is expected that during the fiscal 2010 year, the potential addition of new clients for the Corporation's products and the potential introduction of new products will require additional equipment and working capital to fund expansion, and maintain sufficient inventory levels to service clients. Possible other future events 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 affect the Corporation's ability to generate sufficient amounts of cash and cash equivalents to continue to finance operations. The Corporation is evaluating its expected equipment and working capital requirements, and is investigating alternatives for financing this expected growth.

Nordex 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 Corporation or at all. Should the Corporation be unable to secure such financing it may have to cease operations at some point. Any equity offering will result in dilution to the ownership interests of the Corporation's current shareholders and may result in dilution in the value of such interests. The Corporation intends on fulfilling its obligations.

Contractual Obligations

The following chart sets out future contractual obligations.

Payments due by Period					
Contractual Obligation	Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Long Term Debt	\$1,111,822	\$177,152	\$313,405	\$282,120	\$339,145
Capital Lease Obligations	Nil	Nil	Nil	Nil	Nil
Operating Lease	\$54,061	\$14,747	\$29,495	\$9,819	Nil
Other Long Term Obligations	Nil	Nil	Nil	Nil	Nil
Total Contractual Obligations	\$1,165,883	\$191,899	\$342,900	\$291,939	\$339,145

RELATED PARTY TRANSACTIONS

During the year ending December 31, 2009, Nordex paid or accrued \$24,000 in Director Fees and meeting expenses compared to \$27,600 during the year ending December 31, 2008. Bruce Forth, the Secretary of the Corporation is a partner in a legal firm that provides services to the Corporation. Nordex paid or accrued \$72,200 in legal fees to the legal firm during 2009. Thomas Gannon, the CFO of the Corporation is a partner in a public accounting firm that provides services to the Corporation. Nordex paid or accrued \$7,600 in officer fees and \$26,063 in accounting fees to the firm.

On August 24, 2009, a total of 275,035 options to purchase shares were issued to management and directors of the Corporation pursuant to the Corporation's Stock Option Plan. The options vest as to 1/3 in each of the first three years of their life, and will expire on August 23, 2014. The exercise price for the options was set at \$0.33 per share, being the closing price of trading of the shares of the Corporation on August 21, 2009, being the previous trading day to the date of granting.

DIRECTORS AND OFFICERS COMPENSATION

The directors and officers of the Corporation received the following compensation for the year ending December 31, 2009.

Person	Positions	Salary	Bonus	Director Fees	Value (1) of Stock Options Granted	Other (2), (3), (4)
John Kozak	President, CEO & Director	\$140,000	\$40,000	Nil	\$8,811	\$2,800
Jim Taylor	VP & COO	\$120,000	\$40,000	Nil	\$8,811	\$2,400
Bruce Forth	Secretary	Nil	Nil	Nil	Nil	\$72,200
Thomas Gannon	CFO (from April 8, 2009)	Nil	Nil	Nil	\$8,811	\$7,600
Bruce Bent	Director	Nil	Nil	\$7,700	\$16,152	Nil
John Huxley	Director	Nil	Nil	\$7,700	\$16,152	Nil
Jules Roy	Director	Nil	Nil	\$7,700	\$22,037	Nil
Timothy Peterson	Director (until July 16, 2009) CFO (until April 8, 2009)	Nil	Nil	\$900	Nil	Nil

Note (1): Options value based on the Black-Scholes valuation model.

Note (2): As part of the Corporation's Benefits Program, John Kozak and Jim Taylor receive payments towards their pension of 2% of their cash compensation (e.g. salary and cash bonus paid during the year) shown under *Other*.

Note (3): *Other* fees for Thomas Gannon are consulting fees for his roles as CFO.

Note (4): In addition to being the Corporation's Secretary, Bruce Forth is a partner in a legal firm that provides services to the Corporation. The Corporation paid or accrued \$72,200 in legal fees for services provided by the legal firm shown under *Other* for Mr. Forth. Mr. Gannon, the CFO of the Corporation is a partner in a public accounting firm that provides services to the Corporation. Nordex paid or accrued \$7,600 in officer fees and \$11,000 in accounting fees to the firm.

The role of Nordex's Compensation Committee is to review the adequacy and form of compensation of senior management and the directors, with such compensation reflecting the responsibilities and risks of their positions, to administer the Corporation's Stock Option Plan, to determine the recipients and the size of options granted, and to determine the remuneration of executive officers including any bonuses to be awarded. Nordex has a Compensation Committee comprised of three independent directors.

The Compensation Committee engaged the expertise of an outside consulting firm (the "Consultant") to perform comparative executive compensation studies in 2009 and to review and report on executive compensation levels for the CEO and COO of the Corporation. The Consultant performed an analysis of compensation for the CEO and COO of publicly traded Canadian companies with similar sales as Nordex. Based on the data received from the Consultant, Nordex's CEO and COO salaries and total direct compensation paid in 2009 were less than comparable publicly traded companies at the 25th percentile. Total direct compensation is the total of salary, cash bonus (paid or accrued during the year) and the value of options granted during the year (based on the Black-Scholes valuation model).

In 2009, the Consultant also performed an analysis of director's compensation. Based on this data, the independent directors have been compensated within the range of compensation for directors of similar sized publicly traded Canadian companies. It is essential for the Corporation to have and retain qualified independent directors. The total cash compensation for the three independent directors over the last two years has totaled approximately \$37,000 which is just over \$6,000 per year per independent director. Approximately \$86,000 of compensation (using the Black-Scholes valuation model) received in total by the independent directors over this period was in the form of stock options pursuant to the Corporation's stock option plan. This is an average of less than \$15,000 in stock option compensation per independent director per year over the last two years. The decision to compensate independent directors with stock options was made to minimize the cash burden on the Corporation.

GLOBAL ECONOMIC UNCERTAINTY

Over the last two years, the global economy had experienced significant volatility and uncertainty. Management is continuously monitoring the potential effects of the global downturn. The Corporation believes that the economy and key sectors (including mining and construction) has recovered significantly over the last year. As such, Nordex is looking at growth and expansion opportunities in the near to mid term in order to capitalize on this recovery.

LEGAL PROCEEDINGS

On July 18, 2008, the Corporation announced that it had received an Amended Motion to Institute Proceedings and Application for the Issuance of Orders to Rectify Acts which are Oppressive and Unfairly Prejudicial, dated July 17, 2008 (hereinafter called the "Motion"), brought in the Superior Court (Commercial Division) District of Montreal by Jacques Levesque, a shareholder of Nordex, as Plaintiff. The Motion names Computershare Limited, the transfer agents for Nordex, Bruce Forth and Timothy Peterson, both former directors of Nordex, John Kozak, Bruce Bent and Jules Roy, directors of Nordex, James Craig Taylor, Chief Operating Officer of Nordex and Flavio Moroso, an employee of Computershare Limited, as Defendants and Nordex Explosives Ltd. as "Mise-en-cause".

The Motion seeks an oppression remedy and in the name of Nordex Explosives Ltd., a derivative action, asking the Court for an accounting to Nordex of amounts received by the individual Defendants pursuant to the Nordex Profit Sharing Plan; a declaration that Mr. Levesque has been and remains a director of Nordex since 2004; an order vitiating and setting aside the results of the May 19, 2006 annual and special meetings of Nordex and directing that the issues there presented be brought before a special meeting of shareholders as soon as reasonably practicable; an order declaring null and void the Nordex Profit Sharing Plan and required all persons having received money thereunder to account therefore and disgorge the same to Nordex; an award in pecuniary damages of \$40,000 for loss of salary; and \$200,000 for compensation for time and legal expenses; and an award of damages of \$60,000 for humiliation. Full details of the Motion are contained in the Press Release issued by the Corporation on July 18, 2008, which is available on SEDAR at www.sedar.com.

It is the opinion of management that the claims made by Mr. Levesque are totally without merit, and counsel has been retained to defend the Motion.

FINANCING ACTIVITIES

During April 2009, the Corporation obtained a loan from the Business Development Bank of Canada ("BDC") for \$200,000. The term of the loan is seven years and the interest rate is a floating rate currently at 7.25% per year calculated as the BDC's Floating Base Rate plus a variance of 3.25%. On the date hereof, BDC's Floating Base Rate is 4.25% per year. Interest is payable monthly on the loan. The loan is secured by a general security agreement over the Corporation's assets.

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.

Possible Change to Directors and Management

The Corporation believes that its greatest risk at this time is a change to its directors and/or management.

During the last six years, management has consisted of Mr. John Kozak, President & CEO, and Jim Taylor, Vice President & COO. The board of directors currently consists of Mr. Bruce Bent, Mr. John Huxley, Mr. Jules Roy and Mr. Kozak. Mr. Roy first became a director of the Corporation in 2002. Mr. Bent has been a director of the Corporation since 2006. Mr. Huxley has been a director of the Corporation since 2007. Mr. Bent, Mr. Huxley and Mr. Roy are all independent directors of Nordex Explosives as defined by the TSX Venture Exchange. All three independent directors have extensive experience as directors of other publicly traded Canadian corporations in addition to Nordex.

The Corporation has received a requisition signed by 2 shareholders of the Corporation (the “Dissidents”) requesting that the Corporation call a Special Meeting of Shareholders for the purpose of replacing the existing Board of Directors with 4 nominees of the Dissidents. One of the Dissidents is Mr. Jacques Levesque who is the Plaintiff in the Amended Motion to Institute Proceedings and Application for the Issuance of Orders to Rectify Acts which are Oppressive and Unfairly Prejudicial, dated July 17, 2008 (hereinafter called the “Motion”), brought in the Superior Court (Commercial Division) District of Montreal, which is discussed in the section entitled “Legal Proceedings” above.

The Dissidents have not advised the Corporation as to their plans for the Corporation going forward should they be successful in replacing the existing Board of Directors. The Corporation is not aware if it is the intention of the proposed nominees to replace or terminate the employment of the existing management of the Corporation.

On March 20, 2007 the Corporation announced that it had entered into management agreements with each of Mr. John Kozak, the President and CEO of the Corporation, and Mr. Jim Taylor, the COO of the Corporation. With respect to Mr. Kozak and Mr. Taylor, in the event of the termination of their employment for any reason other than just cause, the Corporation has agreed to pay the following sums as termination pay: two (2) times the annual salary at the time of termination; plus two (2) times the maximum bonus earned, including accrued amounts, for a 12 month period over the last 36 months; and the Corporation will be obligated to provide the terminated individual with an Employee Benefit Plan for a period of twenty-four (24) months from the date of termination. These terms will also apply in the event of a restructuring which results in the duties and responsibilities of the individual being materially reduced.

The termination or reduction of duties and responsibilities of either Mr. Kozak or Mr. Taylor could result in serious financial hardship to Nordex including a reduction in the Corporation’s ability to finance current and expected future operations, and the possible resulting failure of the Corporation to meet its banking and loan covenants.

The estimated incremental payments, payables, and benefits, assuming that the triggering event took place on the last business day of the Corporation’s most recently completed financial year: with respect to Mr. Kozak would total \$371,951 equal to the sum of \$280,000.00 for salary (based on two (2) times the annual salary at the time of termination) plus \$83,946 (based on two (2) times the maximum bonus earned, including accrued amounts, for a 12 month period over the last 36 months) and an additional \$8,005 for Employee Benefits for a period of twenty-four (24) months from the date of termination.

The estimated incremental payments, payables, and benefits, assuming that the triggering event took place on the last business day of the Corporation’s most recently completed financial year: with respect to Mr. Taylor would total \$364,094 equal to the sum of \$240,000 for salary (based on two (2) times the annual salary at the time of termination); plus \$116,552 (based on two (2) times the maximum bonus earned, including accrued amounts, for a 12 month period over the last 36 months) and an additional \$7,542 for Employee Benefits for a period of twenty-four (24) months from the date of termination.

Over the last six years, the Corporation has progressed from near bankruptcy, with sales of less than \$1,000,000 in 2003 to a financially strong enterprise with a growing market share with sales of nearly \$8,000,000 in 2009. A change to the board of directors or a change to management could have a material adverse negative effect on the Corporation

Reliance on Existing Product in Static Markets

For the foreseeable future, the majority of the Corporation's sales 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 activity in mining, quarry and road construction industries 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.

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 initiating products 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 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 several 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.

Foreign Exchange Risk

The Corporation derives a significant amount of sales from products manufactured by companies based out of the U.S. which the Corporation resells. The Corporation also purchases some of its raw materials out of the U.S. The cost of these products and raw materials to the Corporation is based in U.S. dollars. The Corporation would end up paying more for these products in Canadian dollars if the Canadian dollar reduces against the U.S. dollar. Conversely, the Corporation would end up paying less for these products in Canadian dollars if the Canadian dollar increases against the U.S. dollar.

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. Nordex has been affected by the

drop in commodity prices and mining activity during 2008 and earlier in 2009 as several clients placed their mines under care and maintenance. A further downturn in the commodities market and/or mining sector could have a material adverse negative effect on the Corporation.

Dependence on Significant Customers

The majority of the Corporation's sales were to its mining clients. Management expects this to be the case for the foreseeable future. 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 sales may have the ability to negotiate prices for the Corporation's products that are more favourable resulting in reduced sales or lower profit margins for the Corporation.

In the year ending December 31, 2009, sales to the Corporation's top three clients comprised 58.2% of total sales compared to 70% in the year ending December 31, 2008. The lower concentration resulted primarily from significant increased sales to non mining clients in the quarry and construction industries as well as additional mining clients.

Ability of Significant Customers to Make Payments

The majority of the Corporation's sales during the year were to its mining clients. Management expects this to be the case for the foreseeable future. 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 sales may have the ability to negotiate prices for the Corporation's products that are more favourable resulting in reduced sales or lower profit margins for the Corporation.

For the year ending December 31, 2009, sales to the Corporation's top three clients comprised 58% of total sales compared to 71% in 2008. The lower concentration resulted primarily from significant increased sales to non mining clients in the quarry and construction industries and additional mining clients.

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 sales 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 on 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 and officers 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 sales which in turn may have an adverse effect on the value of the Corporation's securities.

Additional Financing Requirements

The Corporation is constantly investigating the cost to expand its logistical capabilities, supplier network, manufacturing facilities and geographical market. 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.

In management's opinion, as of December 31, 2009, Nordex was able to continue at its then current level of operations in the near term and had adequate means to finance these operations at the then current levels..

During the first two months of fiscal 2010, Nordex experienced significantly increased levels of demand for products from existing clients, and anticipates this trend to continue throughout the fiscal 2010 year. Additionally, it is expected that during the fiscal 2010 year, the potential addition of new clients for the Corporation's products and the potential introduction of new products will require additional capital equipment or working capital to fund expansion, and maintain sufficient inventory levels to service clients. Possible other future events 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 affect the Corporation's ability to generate sufficient amounts of cash and cash equivalents to continue to finance operations. The Corporation is evaluating its expected capital equipment and working capital requirements, and is investigating alternatives for financing this expected growth.

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 from the treasury of the Corporation, control of the Corporation may change and current 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 continue 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, 2009.

Designation of Security	Authorized	Outstanding at December 31, 2009
Common	12,000,000	7,017,025

Note: In January, 2010, Jim Taylor, an officer in the Corporation, exercised options to purchase 33,334 shares increasing the total number of shares outstanding to 7,050,359.

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 on March 3, 2010:

Name	Number of Shares Beneficially Owned, Controlled or Directed	Percentage of 7,050,359 Outstanding Common Shares
Mr. Jacques Levesque Point Edward, Ontario	1,154,200	16.4%
Mr. Lino Luciani Tecumseh, Ontario	942,500	13.4%

In addition to the common shares, the following options to issue one common share are issued and outstanding.

Number of Options	Exercise Price	Expiry Date
38,334	\$0.21	November 28, 2010
23,333	\$0.50	December 14, 2011
65,000	\$0.71	June 25, 2012
232,500	\$0.48	March 23, 2013
275,035	\$0.33	August 22, 2014
275,035 in total		

The Corporation has no warrants issued and outstanding.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes information pertaining to the operations of the Corporation on a quarterly basis for the eight quarters ending December 31, 2009.

Quarter Ended	Sales	Income / (Loss)	Income / (Loss) Per Share	Total Assets	Long Term Financial Liabilities (1)
2009					
Dec-31	\$2,130,634	\$116,955	\$0.017	\$5,572,161	\$934,670
Sep-30	\$2,394,163	\$173,972	\$0.025	\$5,697,701	\$987,608
Jun-30	\$2,139,381	\$423,621	\$0.060	\$5,667,430	\$1,031,475
Mar-31	\$1,272,345	\$(180,271)	\$(0.026)	\$4,516,862	\$900,128
2008					
Dec-31	\$1,110,237	\$(120,567)	\$(0.017)	\$4,354,545	\$937,644
Sep-30	\$1,694,927	\$(105,196)	\$(0.015)	\$4,713,915	\$719,306
Jun-30	\$1,686,237	\$115,376	\$0.016	\$4,737,080	\$753,645
Mar-31	\$1,582,246	\$83,565	\$0.012	\$4,255,574	\$789,802

Note (1): Long Term Financial Liabilities excludes current portion of long term debt.

FOURTH QUARTER RESULTS

In 2009, Nordex had its highest fourth quarter sales in the history of the Corporation. Following is the Consolidated Statement of Operations for the three months ending December 31, 2009 and December 31, 2008.

	2009	2008
	3 month	3 month
	Period	Period
	Ended	Ended
	Dec. 31	Dec. 31 ⁽¹⁾
SALES	\$2,130,634	\$1,110,237
COST OF GOODS SOLD	<u>\$1,643,089</u>	<u>\$884,753</u>
GROSS PROFIT	<u>\$487,545</u>	<u>\$225,484</u>
	22.9%	25.2%
EXPENSES		
Administrative	\$266,401	\$216,130
Allowance for bad debt	-	\$111,263
Amortization	\$65,511	\$25,631
Interest & bank charges	\$20,714	\$8,949
Stock based compensation	<u>\$17,964</u>	<u>\$14,525</u>
	<u>\$370,590</u>	<u>\$376,498</u>
INCOME(LOSS) BEFORE TAX	\$116,955	(\$120,567)
RECOVERY OF INCOME TAXES	-	-
FUTURE INCOME TAX EXPENSE	<u>\$9,669</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$107,286</u>	<u>\$ (120,569)</u>
RETAINED EARNINGS, beg of period	\$576,564	\$279,810
RETAINED EARNINGS, end of period	\$683,850	\$159,241

Note (1): Some of the figures have been reclassified to conform to the current year's presentation.

Net Income

Net income increased to \$116,955 of the three months ending December 31, 2009 compared to a net loss of \$120,569 for the three months ending December 31, 2008. The large increase can be primarily attributed to increased sales during the period and because the Corporation had accrued \$111,263 for bad debt primarily related to Liberty Mines Inc., in the fourth quarter of 2008 compared to nil in the fourth quarter of 2009.

Sales

Sales increased by 92% to \$2,130,634 for the fourth quarter of 2009 compared to \$1,110,237 for the fourth quarter of 2008 and were 23% higher than the previously best fourth quarter sales of \$1,732,921 in 2007. Sales increased in 2009 as a result of a new mining client, the resumption of operations at mining clients that had suspended operation during the fourth quarter of 2008 and an increase in non mining sales from the quarry and construction industry.

Cost of Sales

Cost of sales increased as a result of the increased sales. Gross margins reduced to 22.9% for the three month period ending December 31, 2009 compared to 25.2% for the three month period ending December 31, 2008 primarily due to competitive selling pressures resulting in a lower selling price.

Selling, General and Administrative

Administrative costs increased in the fourth quarter of 2009 due to the following:

- increased consultants expense related to the development of new products and services,
- increased insurance expense related to an increase in the number of trucks and general liability coverage, and
- increased wages resulting from a bonus accrual during the period for management when, in the fourth quarter of 2008, there were no bonuses accrued or paid to management.

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, 2009, there were weaknesses in the systems of internal control due to the small size of the Corporation and its inability to segregate functions related to control. The Corporation 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 Corporation incurs growth. In addition, in 2009, the services of a professional accounting firm are used to assist in preparing the Corporation's Quarterly interim financial statements and in 2009 the Corporation has hired a new Chief Financial Officer with the requisite financial statement competencies.

RECENT DEVELOPMENTS IN ACCOUNTING STANDARDS

Effective January 1, 2009 the Corporation adopted Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450,

Research and Development Costs. This new standard provides guidance for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard did not have any material impact on the Corporation's financial position or results.

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures that includes additional disclosure requirements about fair value measurements for financial instruments and liquidity risk disclosures. These amendments entail a three-level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company has adopted the disclosure requirements of this standard and does not expect them to have a significant impact on the Company's financial statements.

Future Accounting Changes

Additionally, the Canadian Institute of Chartered Accountants (“CICA”) has issued the following accounting standards:

i) Adoption of International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Canadian Securities Administrators (CSA) have confirmed January 1, 2011 as the date IFRS will replace Canadian Generally Accepted Accounting Principles (Canadian GAAP) for publicly accountable, profit-oriented enterprises. Therefore, effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, IFRS will replace the standards and interpretations currently applicable to publicly accountable, profit-oriented enterprises under Canadian GAAP. Accordingly, the Corporation will issue its last financial statements prepared in accordance with Canadian GAAP for its fiscal year ending December 31, 2010. Starting from the first quarter of its 2011 fiscal year, the Corporation's financial statements will be prepared in accordance with IFRS, with previous year comparative figures and January 1, 2010 (being the date of transition to IFRS) opening balance sheet restated to conform with such IFRS, along with reconciliations from Canadian GAAP to IFRS, as per the guidance provided in IFRS 1, *First-Time Adoption of International Financial Reporting Standards*.

The transition to IFRS presents a change in the fundamental principles upon which financial reporting are conducted and requires significant analysis and planning to ensure a proper transition. The Corporation has completed a diagnostic and evaluation review that was presented to the Board in November of 2009 and further developed an implementation plan that comprises the following:

- Identification of adequate resources to conduct the implementation.
- An ongoing extensive analysis of the expected accounting differences between Canadian GAAP and IFRS and the expected impact on the financial statements.
- Initial training sessions provided to key finance personnel and management and the planning of additional training sessions throughout the implementation process. The majority of this training has been completed by December of 2009. Presentations are made to the audit committee quarterly to assist them in obtaining sufficient knowledge about IFRS and to advise them of the status of the changeover plan.
- A review of the potential impact on the business activities of the Corporation, on its disclosure controls and internal controls over financial reporting, and on its financial reporting systems. An initiative is underway to develop a capital asset sub ledger. This system will allow the Corporation to track all assets as required under IFRS.
- The assessment of Information Technology systems revealed that there will not be significant changes required to the existing accounting system to capture all of the information necessary for IFRS. There will be a need to revise the existing computer models used for calculating various estimates as well as a new

template for the interim and annual financial statements to meet with the disclosures required under IFRS. This work will be undertaken during 2010.

The next reporting will take place in May of 2010 and a report will be presented to the Board (including the audit committee) that will review the choices available upon the initial adoption of IFRS.

The results of the assessment and key elements will be discussed in greater detail as information becomes available.

ii) The following Canadian accounting pronouncements were issued and not yet adopted by the Corporation. Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1582, Business Combinations, CICA Handbook Section 1601, Consolidated Financial Statements, and CICA Handbook Section 1602, Non-controlling Interests. The initial adoption of these new standards is not expected to have any material impact on the Corporation’s financial statements.

FINANCIAL INSTRUMENTS

As at December 31, 2009, the financial instruments of the Corporation consist of bank overdraft, accounts receivable, accounts payable and accrued liabilities and long term debt. These financial instruments are classified as follows:

<u>Financial Instrument</u>	<u>Classification</u>	<u>Basis</u>	<u>Amount</u>
Cash and cash equivalents	Held for Trading	Fair Value	\$364,488
Accounts receivable (a)	Loans and receivables	Amortized cost	\$1,262,808
Bank overdraft	Held for Trading	Fair value	\$(106,166)
Accounts payable and accrued liabilities	Other financial liability	Amortized cost	\$1,390,904
Long term debt (b)	Other liabilities, held to maturity	Amortized cost	\$1,111,182

(a) The carrying value of accounts receivables are net of a general allowance for doubtful accounts in the amount of \$45,397. During the period the Corporation recovered \$273,054 related to account receivables previously written off and accrued \$32,760 for doubtful accounts.

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

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

CRITICAL ACCOUNTING ESTIMATES

The Corporation utilizes certain critical accounting estimates in the preparation of the financial statements. These estimates are as follows: (i) the estimate of allowance for doubtful accounts, (ii) the valuation of stock based compensation, (iii) the valuation of inventory in accordance with section 3031 of the CICA Handbook, and iv) Future Income Taxes. All of these estimates involve considerable judgment and are, or could be affected by significant factors that are out of the Corporation’s control.

The assumptions affecting stock based compensation are outlined in Financial Statement Note 7. Management utilizes the Black-Scholes valuation model in arriving at fair market value of these transactions.

The amount recorded for the allowance for doubtful accounts is fully disclosed within this document as well as the financial statements

The Corporation adopted the new Handbook section 3031 on January 1, 2008. This new section requires that cost be determined as cost to purchase, cost to convert including an allocation of fixed and variable production costs and other costs. At period end, the inventories are carried at the lower of cost and net realizable value. The cost formula utilized is first in, first out.

The details of the estimate for future income taxes are outlined above in the section above titled *Provision for Income Taxes*.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements and had no off-balance sheet arrangements as at December 31, 2009.

PROPOSED TRANSACTIONS

To the best of Management's knowledge, save and except as has been disclosed herein, there are no pending transactions that will materially affect the performance or operation of the Corporation.

REVIEW AND APPROVAL BY THE BOARD OF DIRECTORS

The Board of Directors, on the recommendation of the Audit Committee, approved the contents of this MD&A on March 3, 2010. This MD&A includes the Corporation's operating and financial results for the three and twelve months ended December 31, 2009 and 2008 and should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2009 and December 31, 2008 appearing on SEDAR's website at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain information included herein may contain "forward-looking statements" which reflect the current expectations of management of the Corporation regarding the Corporation's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "should", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour", "seek", "predict", "potential" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Corporation. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, cancellations of or the failure to renew purchase orders; production and delivery issues; quality, pricing and availability of raw materials; compliance with environmental regulations; exchange rate fluctuations as well as the other risks identified in the "Risk Factors" section and other public filings (copies of which may be obtained at www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by this Management Discussion and Analysis. These factors should be considered carefully and the reader should not place undue reliance on the forward-looking statements. Although any forward-looking statements contained in this interim report are based upon what management currently believes to be reasonable assumptions, the Corporation cannot assure readers that actual results,

performance or achievements will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this report and, other than as required by law, the Corporation does not intend, and does not assume any obligation, to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

OTHER INFORMATION

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

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