



NORDEX EXPLOSIVES LTD.

April 20, 2009

Dear Shareholders,

Nordex Explosives has had another eventful year experiencing many accomplishments and challenges. These items include:

- The implementation of our emulsion explosive manufacturing plant,
- The impact of the global economy and mining on Nordex and our clients,
- Financial results, and
- Positioning ourselves for future growth.

Emulsion Plant

Nordex identified a need for a Canadian owned & operated Emulsion Plant and as a result, created a state of the art facility that will bring increased value to the mining, construction and quarry industries in Ontario and Quebec. Nordex began field trials with its clients beginning in the fourth quarter of 2008. We are pleased to report that our new plant is operating extremely well. The market feedback has been very positive and we have experienced increased demand for our products and services.

More recently, the Company received certification from the Explosives Regulatory Division of the Ministry of Natural Resources to distribute its booster sensitive emulsion product throughout Canada in both bulk and packaged form for surface applications and underground mining.

Along with the Emulsion Plant, Nordex has introduced bulk emulsion trucks and loading services for surface mining and quarries. Nordex also introduced its own line of loading equipment, storage containers and related services for bulk emulsion applications used in underground mining. With the implementation of the emulsion plant and related equipment, we have been able to expand our product line and service offering.

The Global Economy and Mining

During the year, the cost of natural gas and diesel fuel increased significantly. These items represent a substantial amount of the cost of goods sold for manufacturing explosives. Additionally, Nordex purchased a significant amount of finished products from U.S. suppliers during 2008 and the reduction of the Canadian dollar against the U.S. dollar during the year increased the cost of goods sold. The increase in energy costs and the reduction in the Canadian dollar were key factors to our gross margins decreasing to 22% in 2008 compared to 25% in 2007.

2008 proved to be a difficult economic year for many companies around the world. Commodity prices dropped in 2008 which led to many mines closing or reducing their level of operations. Several of Nordex's mining clients were impacted by the downturn in commodity prices, resulting in lower sales by Nordex to those clients compared to earlier periods.

Liberty Mines, a client of Nordex, suspended its mining operations in 2008, and as of December 31, 2008, owed Nordex \$308,109. Liberty Mines has been seeking financing and has released a series of announcements on the progress of this goal. In a press release on April 14th, 2009, they indicated that "Liberty Mines Inc. ("Liberty or the Corporation") is pleased to announce that it has arranged a CDN\$30,000,000 equity financing with Jilin Jien Nickel Industry Co., Ltd. ("JJNICL") of Panshi City in China." The press release further indicates that "As part of this financing JJNICL will directly pay the negotiated balance due on the loan described in the February 19th press release. The balance of the financing will be funded to Liberty to pay amounts owing to employees, trades and suppliers; and to provide additional working capital. The financing is subject to certain governmental or regulatory approvals that are required such as those from the Chinese government and the Toronto Stock Exchange ("TSX")."

As of this date, Nordex is unaware as to whether Liberty Mines will be successful in completing this financing, or obtaining other financing which will enable Liberty Mines to pay the full amount currently outstanding to Nordex. As a result, the full amount owing by Liberty Mines of \$308,109 has been taken as an allowance for bad debt expense in 2008. In the event that Liberty Mines is successful in completing this financing or obtaining other financing, then some or the entire amount included in the Allowance for Bad Debt Expense for the year ending December 31, 2008 may be recoverable by Nordex.

Further detail on the allowance for bad debt expense can be found in Audited Financial Statements for 2008 and the Management Discussion & Analysis for the year and fourth quarter ending December 31, 2008 are available on SEDAR at www.sedar.com

Financial Results

Revenue for the year ending December 31, 2008, was \$6,072,068 compared to \$7,064,272 in 2007. The decrease in revenue is a result of lower sales to those clients affected by the downturn in the mining industry.

Earnings before interest, taxes, amortization and bad debt expense for 2008 were \$506,035 compared to \$792,936 in 2007. This reduction is attributable to the reduced sales combined with lower gross margins resulting from the increasing cost of raw materials and finished goods during the year. Nordex has recorded an allowance for bad debt expense in the amount of \$308,109 with respect to the amount owed to it by Liberty Mines Inc. ("Liberty Mines") as of December 31, 2008, resulting in Nordex having a Net Loss of \$26,826 in 2008, compared to Net Income of \$580,459 in 2007.

Even with the downturn in the mining sector in 2008, Nordex has been able to achieve significant growth over the years. Shareholders' equity has increased from \$278,389 at the start of 2004 to \$2,423,213 as at December 31, 2008. During this same period, total assets have increased from \$633,738 to \$4,354,547.

In addition to the growth in shareholders' equity and total assets, Nordex has been busy during the year, positioning itself for further growth.

Positioning for Future Growth

With the introduction of the Emulsion Plant, Nordex has been able to expand its service offerings and pursue new markets and territories outside of Northern Ontario.

Our production capacity and new service offerings allow us to pursue larger mining clients in Ontario and Quebec. We have expanded our fleet of bulk emulsion trucks to three in order to serve these new territories better.

During 2008, Nordex undertook a market study of Southern Ontario and began sales and marketing activity in the region. We were able to secure relationships with several drill & blast companies in the region which have resulted in sales for the 2009 season.

Last year, the Company undertook to recruit a sales agent to cover Northern Quebec. The agent began in early 2009 and sales and marketing activities are well under way for the region.

Finally, a number of our staff have received additional training in the areas of field services and technical support in order to better provide our expanded services offering.

All of these items have positioned Nordex to take advantage of opportunities in new regions and markets going forward.

Despite the challenges in 2008 and the ongoing economic uncertainty that we currently face, I am very optimistic for 2009 and the years ahead. We have recently announced that we have signed a two year contract with Apollo Gold Corporation (“Apollo”) for the supply of explosive products for use at their *Black Fox Project* located 75 kilometres east of Timmins, Ontario. We have also established working relationships with several drill & blast companies which have already resulted in sales during 2009.

We will continue to pursue new markets and territories and expand our product and service offerings as we go forward.

I would like to finish by thanking all of our employees and management. They have all contributed immensely and made personal sacrifices throughout the year to ensure the success of our emulsion plant and to make sure we continued to be a strong and healthy company.

Once again, I would like to say thank you to our shareholders for all their support and advice. I will continue to do everything I can to ensure the success of your company. It remains a privilege and an honour to work on your behalf.

Sincerely,

John Kozak
President & CEO