

Consolidated Balance Sheets of  
**DYNEX POWER INC.**  
Year Ended December 31st, 2004, 2003

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**Consolidated Balance Sheets**  
**Year Ended December 31st, 2004, 2003**

	Dec 31st 2004	Dec 31st 2003
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 250,375	\$ 661,208
Accounts receivable	4,550,173	4,833,140
Inventories	8,507,761	7,888,166
Prepaid expenses and deposits	697,477	639,729
	<b>14,005,786</b>	<b>14,022,243</b>
<b>CAPITAL ASSETS</b>		
	<b>662,770</b>	<b>840,231</b>
	<b>\$ 14,668,556</b>	<b>\$ 14,862,474</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 6,980,182	\$ 5,698,044
Due to director	1,390,020	500,000
Due to shareholders	580,211	-
Short-term loan (	3,021,785	3,458,309
Current portion of long-term debt	154,609	17,640
Current portion of deferred revenue	179,174	178,911
	<b>12,305,981</b>	<b>9,852,904</b>
<b>CONTINGENCIES</b>		
	-	-
<b>LONG-TERM DEBT</b>		
	270,977	13,230
<b>LONG TERM DEFERRED REVENUE</b>		
	2,194,876	2,370,566
	<b>14,771,834</b>	<b>12,236,700</b>
<b>SHAREHOLDERS' (DEFICIT)EQUITY</b>		
Share capital	12,474,999	9,950,035
Deficit	(12,036,335)	(6,654,380)
Cumulative translation adjustment	(541,942)	(669,881)
	<b>(103,278)</b>	<b>2,625,774</b>
	<b>\$ 14,668,556</b>	<b>\$ 14,862,474</b>

**DYNEX POWER INC.**  
**Consolidated Statements of Loss and Deficit**  
**Year Ended December 31st, 2004, 2003**

	<u>2004</u>	<u>2003</u>
<b>Revenue</b>	<b>\$ 23,885,937</b>	23,562,919
<b>Cost of sales</b>	<b>21,502,559</b>	22,724,658
<b>Gross margin</b>	<b>2,383,378</b>	838,261
<b>Expenses</b>		
General and administration	4,403,203	3,707,133
Sales and marketing	1,710,742	1,771,907
Research and development	1,441,214	2,014,770
Interest expense	265,419	585,910
	<b>7,820,578</b>	8,079,720
<b>(Loss) before other income (expenses) and income taxes</b>	<b>(5,437,200)</b>	(7,241,459)
<b>Other income (expenses)</b>		
Interest and other income	264,179	161,232
Foreign exchange (loss)	(206,612)	(824,252)
	<b>57,567</b>	(663,020)
<b>(Provision for) recovery of income taxes</b>		
Current	(2,322)	-
Future	-	427,741
	<b>(2,322)</b>	427,741
<b>NET (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(5,381,955)</b>	(7,476,738)
<b>NET EARNINGS FROM DISCONTINUED OPS.</b>	-	1,483,028
<b>PROFIT ON DISPOSAL OF DISCONTINUED OPS.</b>	-	3,907,190
<b>NET (LOSS)</b>	<b>(5,381,955)</b>	(2,086,520)
<b>DEFICIT, BEGINNING OF YEAR</b>	<b>(6,654,380)</b>	(4,567,860)
<b>DEFICIT, END OF YEAR</b>	<b>\$ (12,036,335)</b>	\$(6,654,380)
<b>(Loss) per share from continuing operations</b>		
Basic	(\$0.23)	\$(0.38)
Diluted	(\$0.23)	\$(0.38)
<b>(Loss) earnings per share</b>		
Basic	(\$0.23)	\$(0.11)
Diluted	(\$0.23)	\$(0.11)
<b>Weighted average number of shares</b>		
Basic	23,336,696	19,714,917
Diluted	23,336,696	19,714,917

**DYNEX POWER INC.**  
**Consolidated Statements of Cash Flow**  
**Year Ended December 31st, 2004, 2003**

	<b>2004</b>	2003
<b>OPERATIONS</b>		
Net (loss)	\$ (5,381,955)	\$ (2,086,520)
<u>Items not affecting cash</u>		
Amortization	282,085	343,270
Gain on disposal of capital assets	(195,055)	(155,217)
Gain on business disposals	-	(3,907,190)
Future income taxes	-	(427,741)
Shares and options issued for services	118,050	147,665
Amortization of deferred finance charges	-	231,000
Changes in non-cash operating working capital	921,071	(2,345,353)
	<b>(4,255,804)</b>	<b>(8,200,086)</b>
<b>FINANCING</b>		
Shares issued for cash	2,406,914	211,500
Decrease in due from shareholder	-	28,171
Increase in loans from shareholders	594,112	-
Increase in loans from a director	923,325	500,000
Decrease in short term debt	(456,598)	(3,695,285)
Increase (decrease) in long-term debt	409,007	(2,312,061)
	<b>3,876,760</b>	<b>(5,267,675)</b>
<b>INVESTMENTS</b>		
Proceeds on disposal of capital assets	11,588	8,085,587
Purchase of capital assets	(99,158)	(123,350)
Proceeds from business disposals	-	4,479,408
	<b>(87,570)</b>	<b>12,441,645</b>
<b>NET (DECREASE) IN CASH POSITION</b>	<b>(466,614)</b>	<b>(1,026,116)</b>
Effect of foreign currency translation on cash flow	55,781	560,289
<b>Cash, beginning of year</b>	<b>661,208</b>	<b>1,127,035</b>
<b>CASH, END OF YEAR</b>	<b>\$ 250,375</b>	<b>\$ 661,208</b>
Supplementary Information:		
Interest paid	\$ 265,419	\$ 354,910
Income taxes paid during year	\$ 2,322	-