

DYNEX POWER INC.
Consolidated Balance Sheets
Quarter Ended June 30th, 2005

	Jun 30th 2005 (unaudited)	Dec 31st 2004 (audited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 173,484	\$ 250,375
Accounts receivable	3,185,225	4,550,173
Inventories	6,955,966	8,507,761
Prepaid expenses and deposits	553,455	697,477
	10,868,130	14,005,786
CAPITAL ASSETS		
	576,236	662,770
	\$ 11,444,366	\$ 14,668,556
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,742,249	\$ 6,980,182
Short-term loan	2,498,392	3,021,785
Due to director	-	1,390,020
Due to shareholders	-	580,211
Current portion of long-term debt	275,832	154,609
Current portion of deferred revenue	169,785	179,174
	7,686,258	12,305,981
CONTINGENCIES		
LONG-TERM DEBT	3,883,932	270,977
LONG TERM DEFERRED REVENUE	1,994,968	2,194,876
	13,565,158	14,771,834
SHAREHOLDERS' EQUITY		
Share Capital	12,598,677	12,474,999
Deficit	(14,313,081)	(12,036,335)
Cumulative translation adjustment	(406,388)	(541,942)
	(2,120,792)	(103,278)
	\$ 11,444,366	\$ 14,668,556

DYNEX POWER INC.

Consolidated Statements of Loss and Deficit (Unaudited)

Quarter Ended June 30th, 2005

	3 months	3 months	YTD	YTD
	Jun 30th	Jun 30th	Jun 30th	Jun 30th
	2005	2004	2005	2004
Revenue	\$ 5,558,518	\$ 5,363,037	\$ 9,724,563	\$ 12,077,206
Cost of sales	5,218,483	5,658,927	9,964,273	11,100,738
Gross margin	340,035	(295,890)	(239,710)	976,468
Expenses				
General and administration	585,657	867,465	1,160,967	1,712,857
Sales and marketing	259,191	456,899	548,445	876,005
Research and development	133,393	311,172	270,019	828,380
Interest expense	56,461	60,641	113,135	123,423
	1,034,702	1,696,177	2,092,566	3,540,665
Loss before other income expenses and income taxes	(694,667)	(1,992,067)	(2,332,276)	(2,564,197)
Other income (expenses)				
Interest and other income	50,411	64,539	100,174	116,027
Foreign exchange gain (loss)	(26,685)	3,632	(44,644)	(51,971)
	23,726	68,171	55,530	64,056
Income taxes	-	-	-	-
NET LOSS	(670,941)	(1,923,896)	(2,276,746)	(2,500,141)
DEFICIT, BEGINNING OF PERIOD	(13,642,140)	(7,230,625)	(12,036,335)	(6,654,380)
DEFICIT, END OF PERIOD	\$ (14,313,081)	\$ (9,154,521)	\$ (14,313,081)	\$ (9,154,521)
Loss per share				
Basic	\$(0.02)	\$(0.09)	\$(0.08)	\$(0.12)
Diluted	\$(0.02)	\$(0.09)	\$(0.08)	\$(0.12)
Weighted average number of shares				
Basic	27,070,659	20,726,916	27,012,110	20,721,724
Diluted	27,070,659	20,726,916	27,012,110	20,721,724

DYNEX POWER INC.**Consolidated Statements of Cash Flow (Unaudited)****Quarter Ended June 30th, 2005**

	3 months	3 months	YTD	YTD
	Jun 30th	Jun 30th	Jun 30th	Jun 30th
	2005	2004	2005	2004
OPERATIONS				
Net loss	\$ (670,941)	\$ (1,923,896)	\$ (2,276,746)	\$ (2,500,141)
<u>Items not affecting cash</u>				
Amortization	56,811	77,220	116,710	152,655
Gain on disposal of capital assets	(44,362)	(47,283)	(89,391)	(105,056)
Shares and options issued for services	118,956	1,132	123,678	14,281
Changes in non-cash operating working capital	(948,096)	2,406,780	496,434	2,421,098
	(1,487,632)	513,953	(1,629,315)	(17,163)
FINANCING				
Shares issued for cash	-	6,000	-	10,500
Increase in due from shareholder	-	-	-	(53,607)
Increase in due to director	458,875	244,548	2,089,088	244,548
Increase (decrease) in short term debt	709,221	(1,024,367)	(406,808)	(621,235)
Decrease in long-term debt	(35,003)	(4,410)	(82,379)	(8,820)
	1,133,093	(778,229)	1,599,901	(428,614)
INVESTMENTS				
Proceeds on disposal of capital assets	-	-	-	11,152
Purchase of capital assets	(58,728)	(30,947)	(60,547)	(83,179)
	(58,728)	(30,947)	(60,547)	(72,027)
NET DECREASE IN CASH POSITION	(413,267)	(295,223)	(89,961)	(517,804)
Effect of foreign currency translation on cash flow	11,393	(6,081)	13,070	(8,337)
Cash, beginning of period	575,358	436,371	250,375	661,208
CASH, END OF PERIOD	\$ 173,484	\$ 135,067	\$ 173,484	\$ 135,067
Supplementary Information:				
Interest paid	\$ 56,461	\$ 60,641	\$ 113,135	\$ 123,423
Income taxes paid during period	-	-	-	-