

DYNEX POWER INC.
Consolidated Balance Sheet (Unaudited)
Quarter Ended June 30th, 2006

	Jun 30th 2006	Dec 31st 2005
CURRENT ASSETS		
Cash and cash equivalents	\$ 309,420	\$ 331,897
Accounts receivable	3,754,498	5,484,910
Inventories	5,988,908	5,951,526
Prepaid expenses and deposits	413,529	551,135
	10,466,355	12,319,468
CAPITAL ASSETS		
	456,241	478,938
	\$ 10,922,596	\$ 12,798,406
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,299,433	\$ 5,125,882
Short-term loan	1,513,631	2,607,515
Current portion of long-term debt	458,160	1,396,219
Current portion of deferred revenue	156,188	155,515
	6,427,412	9,285,131
LONG-TERM DEBT	3,942,414	3,048,252
LONG-TERM DEFERRED REVENUE	1,679,022	1,749,547
	12,048,848	14,082,930
CONTINGENCIES	-	-
	12,048,848	14,082,930
SHAREHOLDERS' DEFICIENCY		
Share capital	13,694,330	12,955,163
Deficit	(14,388,076)	(13,824,595)
Cumulative translation adjustment	(432,506)	(415,092)
	(1,126,252)	(1,284,524)
	\$ 10,922,596	\$ 12,798,406

DYNEX POWER INC.**Consolidated Statement of Losses and Deficits (Unaudited)****Quarter Ended June 30th, 2006**

	3 months Jun 30th 2006	3 months Jun 30th 2005	YTD Jun 30th 2006	YTD Jun 30th 2005
Revenue	\$ 5,252,868	\$ 5,558,518	\$ 11,335,167	\$ 9,724,563
Cost of sales	4,449,732	5,218,483	9,417,274	9,964,273
Gross margin	803,136	340,035	1,917,893	(239,710)
Expenses				
General and administration	743,924	585,657	1,350,082	1,160,967
Sales and marketing	276,568	259,191	479,718	548,445
Research and development	209,036	133,393	359,307	270,019
Interest expense	202,564	56,461	384,956	113,135
	1,432,092	1,034,702	2,574,063	2,092,566
Loss before other income (expenses) and income taxes	(628,956)	(694,677)	(656,170)	(2,332,276)
Other income (expenses)				
Interest and other income	51,154	50,411	124,500	100,174
Foreign exchange loss	(51,645)	(26,685)	(31,811)	(44,644)
	(491)	23,726	92,689	55,530
Income taxes	-	-	-	-
NET LOSS	(629,447)	(670,941)	(563,481)	(2,276,746)
DEFICIT, BEGINNING OF PERIOD	(13,758,629)	(13,642,140)	(13,824,595)	(12,036,335)
DEFICIT, END OF PERIOD	\$ (14,388,076)	\$ (14,313,081)	\$ (14,388,076)	\$ (14,313,081)
Loss per share				
Basic	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.08)
Diluted	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.08)
Weighted average number of shares				
Basic	30,107,131	27,070,659	29,454,560	27,012,110
Diluted	30,107,131	27,070,659	29,454,560	27,012,110

DYNEX POWER INC.**Consolidated Statement of Cash Flows (Unaudited)
Quarter Ended June 30th, 2006**

	3 months Jun 30th 2006	3 months Jun 30th 2005	YTD Jun 30th 2006	YTD Jun 30th 2005
OPERATING				
Net loss	\$ (629,447)	\$ (670,941)	\$ (563,482)	\$ (2,276,746)
<u>Items not affecting cash</u>				
Amortization	56,005	56,811	109,693	116,710
Gain on disposal of capital assets	(39,355)	(44,362)	(78,543)	(89,391)
Shares and options issued for services	117,608	118,956	174,718	123,678
Changes in non-cash operating working capital	(322,783)	(948,096)	1,040,045	496,434
	(817,972)	(1,487,632)	682,431	(1,629,315)
FINANCING				
Shares issued for cash	550,000	-	550,000	-
Increase in loans from a director	-	458,875	-	2,089,088
(Decrease) increase in short-term debt	(416,340)	709,221	(1,110,924)	(406,808)
Decrease in long-term debt	(32,573)	(35,003)	(63,494)	(82,379)
	101,087	1,133,093	(624,418)	1,599,901
INVESTING				
Purchase of capital assets	(51,415)	(58,728)	(84,906)	(60,547)
	(51,415)	(58,728)	(84,906)	(60,547)
NET DECREASE IN CASH	(768,300)	(413,267)	(26,893)	(89,961)
Effect of foreign currency translation on cash flow	4,847	11,393	4,416	13,070
Cash and cash equivalents, beginning of period	1,072,873	575,358	331,897	250,375
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 309,420	\$ 173,484	\$ 309,420	\$ 173,484
Supplementary Information:				
Interest paid	\$ 152,624	\$ 56,461	\$ 354,950	\$ 113,135
Income taxes paid during period	-	-	-	-