

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

	Sept 30th 2005 (unaudited)	Dec 31st 2004 (audited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 303,643	\$ 250,375
Accounts receivable	3,729,967	4,550,173
Inventories	6,129,548	8,507,761
Prepaid expenses and deposits	587,897	697,477
	10,751,055	14,005,786
CAPITAL ASSETS		
	530,999	662,770
	\$ 11,282,054	\$ 14,668,556
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,405,310	\$ 6,980,182
Short-term loan	2,687,025	3,021,785
Due to director	-	1,390,020
Due to shareholders	-	580,211
Current portion of long-term debt	680,786	154,609
Current portion of deferred revenue	159,576	179,174
	7,932,697	12,305,981
CONTINGENCIES		
LONG-TERM DEBT	3,654,511	270,977
LONG TERM DEFERRED REVENUE	1,835,120	2,194,876
	13,422,328	14,771,834
SHAREHOLDERS' EQUITY		
Share Capital	12,737,726	12,474,999
Deficit	(14,605,702)	(12,036,335)
Cumulative translation adjustment	(272,298)	(541,942)
	(2,140,274)	(103,278)
	\$ 11,282,054	\$ 14,668,556

DYNEX POWER INC.

Consolidated Statements of Loss and Deficit (Unaudited)

Quarter Ended September 30th, 2005

	3 months Sept 30th 2005	3 months Sept 30th 2004	YTD Sept 30th 2005	YTD Sept 30th 2004
Revenue	\$ 5,680,842	\$ 6,265,881	\$ 15,405,406	\$ 18,343,087
Cost of sales	4,795,212	5,986,473	14,759,485	17,087,211
Gross margin	885,630	279,408	645,921	1,255,876
Expenses				
General and administration	569,183	752,664	1,730,151	2,465,522
Sales and marketing	237,879	408,118	786,324	1,284,123
Research and development	85,080	346,354	355,099	1,174,734
Interest expense	272,863	63,764	385,998	187,187
	1,165,005	1,570,900	3,257,572	5,111,566
Loss before other income expenses and income taxes	(279,375)	(1,291,492)	(2,611,651)	(3,855,690)
Other income (expenses)				
Interest and other income	44,088	54,581	144,262	170,609
Foreign exchange gain (loss)	(57,334)	(198,595)	(101,978)	(250,566)
	(13,246)	(144,014)	42,284	(79,957)
Income taxes	-	(2,323)	-	(2,323)
NET LOSS	(292,621)	(1,437,829)	(2,569,367)	(3,937,970)
DEFICIT, BEGINNING OF PERIOD	(14,313,081)	(9,154,521)	(12,036,335)	(6,654,380)
DEFICIT, END OF PERIOD	\$ (14,605,702)	\$ (10,592,350)	\$ (14,605,702)	\$ (10,592,350)
Loss per share				
Basic	\$(0.01)	\$(0.06)	\$(0.09)	\$(0.18)
Diluted	\$(0.01)	\$(0.06)	\$(0.09)	\$(0.18)
Weighted average number of shares				
Basic	25,973,642	25,238,185	25,876,616	22,238,163
Diluted	25,973,642	25,238,185	25,875,616	22,238,163

DYNEX POWER INC.

**Consolidated Statements of Cash Flow (Unaudited)
Quarter Ended September 30th, 2005**

	3 months Sept 30th 2005	3 months Sept 30th 2004	YTD Sept 30th 2005	YTD Sept 30th 2004
OPERATIONS				
Net loss	\$ (292,621)	\$ (1,437,829)	\$ (2,569,367)	\$ (3,937,970)
<u>Items not affecting cash</u>				
Amortization	55,100	64,415	171,810	217,070
Gain on disposal of capital assets	(43,550)	(45,881)	(132,941)	(150,937)
Shares and options issued for services	139,049	90,000	262,727	104,281
Changes in non-cash operating working capital	(479,163)	(1,253,723)	17,272	1,167,374
	(621,185)	(2,583,018)	(2,250,499)	(2,600,182)
FINANCING				
Shares issued for cash	-	2,280,233	-	2,290,733
Decrease in due from director	-	53,607	-	-
Increase (decrease) in due to director	428,330	(50,764)	2,517,423	193,784
Increase (decrease) in short term debt	347,315	401,090	(59,492)	(220,144)
Increase (decrease) in long-term debt	17,789	(4,410)	(64,599)	(13,230)
	793,434	2,679,756	2,393,335	2,251,143
INVESTMENTS				
Proceeds on disposal of capital assets	2,142	-	2,142	11,152
Purchase of capital assets	(42,786)	(11,992)	(103,332)	(95,171)
	(40,644)	(11,992)	(101,190)	(84,019)
NET INCREASE (DECREASE) IN CASH	131,605	84,746	41,646	(433,058)
Effect of foreign currency translation on cash flow	(1,446)	131,122	11,622	122,785
Cash, beginning of period	173,484	135,067	250,375	661,208
CASH, END OF PERIOD	\$ 303,643	\$ 350,935	\$ 303,643	\$ 350,935
Supplementary Information:				
Interest paid	\$ 144,291	\$ 63,764	\$ 257,426	\$ 187,187
Income taxes paid during period	-	2,323	-	2,323