

DYNEX POWER INC.
Consolidated Balance Sheets
Years Ended December 31st, 2006 and 2005

	Dec 31st 2006	Dec 31st 2005
CURRENT ASSETS		
Cash and cash equivalents	\$ 357,042	\$ 331,897
Accounts receivable	4,936,028	5,484,910
Inventories	7,198,306	5,951,526
Prepaid expenses and deposits	715,935	551,135
	13,207,311	12,319,468
CAPITAL ASSETS		
	444,715	<i>478,938</i>
	\$ 13,652,026	\$ 12,798,406
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,592,004	\$ 5,125,882
Short-term loan	3,013,654	2,607,515
Current portion of long-term debt	1,269,994	1,396,219
Current portion of deferred revenue	175,832	155,515
	9,051,484	9,285,131
LONG-TERM DEBT	3,570,847	3,048,252
LONG-TERM DEFERRED REVENUE	1,802,283	1,749,547
	14,424,614	14,082,930
CONTINGENCIES	-	-
SHAREHOLDERS' DEFICIENCY		
Share capital	13,888,690	12,955,163
Deficit	(14,098,044)	(13,824,595)
Cumulative translation adjustment	(563,234)	(415,092)
	(772,588)	(1,284,524)
	\$ 13,652,026	\$ 12,798,406

DYNEX POWER INC.
Consolidated Statements of Losses and Deficits
Years Ended December 31st, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenue	\$ 23,713,165	\$ 22,760,665
Cost of sales	19,521,431	19,832,108
Gross margin	4,191,734	2,928,557
Expenses		
General and administration	2,241,500	2,553,822
Sales and marketing	952,583	1,085,270
Research and development	697,604	538,903
Interest expense	834,669	635,488
	4,726,356	4,813,483
Loss before other income (expenses) and income taxes	(534,622)	(1,884,926)
Other income (expenses)		
Interest and other income	245,171	237,329
Foreign exchange gain (loss)	16,002	(140,663)
	261,173	96,666
Income taxes	-	-
NET LOSS	(273,449)	(1,788,260)
DEFICIT, BEGINNING OF YEAR	(13,824,595)	(12,036,335)
DEFICIT, END OF YEAR	\$ (14,098,044)	\$ (13,824,595)
Loss per share		
Basic	\$ (0.01)	\$ (0.07)
Diluted	\$ (0.01)	\$ (0.07)
Weighted average number of shares		
Basic	31,257,836	26,949,650
Diluted	31,257,836	26,949,650

DYNEX POWER INC.
Consolidated Statements of Cash Flows
Years Ended December 31st, 2006 and 2005

	2006	2005
OPERATING		
Net loss	\$ (273,449)	\$ (1,788,260)
<u>Items not affecting cash</u>		
Amortization	255,465	227,019
Gain on disposal of capital assets	(163,179)	(172,909)
Shares and options issued for services	383,527	400,164
Changes in non-cash operating working capital	(411,071)	(1,124,674)
	(208,707)	(2,458,660)
FINANCING		
Shares issued for cash	550,000	80,000
Increase (decrease) in short-term debt	60,048	(29,991)
(Decrease) increase in long-term debt	(168,987)	2,608,556
	441,061	2,658,565
INVESTING		
Proceeds of disposal of capital assets	2,085	2,207
Purchase of capital assets	(167,626)	(118,242)
	(165,541)	(116,035)
NET INCREASE IN CASH	66,813	83,870
Effect of foreign currency translation on cash flow	(41,668)	(2,348)
Cash and cash equivalents, beginning of period	331,897	250,375
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 357,042	\$ 331,897
Supplementary Information:		
Interest paid during year	\$ 653,938	\$ 337,052
Income taxes paid during year	-	-