

DYNEX POWER INC.**Consolidated Balance Sheets (Unaudited)****Quarter Ended March 31st, 2007**

	Mar 31st 2007	Dec 31st 2006
CURRENT ASSETS		
Cash	\$ 553,788	\$ 357,042
Accounts receivable	4,504,604	4,936,028
Inventories	7,373,016	7,198,306
Prepaid expenses and deposits	296,817	715,935
	12,728,225	13,207,311
CAPITAL ASSETS		
	648,791	444,715
	\$ 13,377,016	\$ 13,652,026
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,438,495	\$ 4,592,004
Short-term loan	2,940,818	3,013,654
Current portion of long-term debt	1,395,990	1,269,994
Current portion of deferred revenue	175,887	175,832
	8,951,190	9,051,484
LONG-TERM DEBT	3,052,992	3,570,847
LONG-TERM DEFERRED REVENUE	1,758,867	1,802,283
	13,763,049	14,424,614
CONTINGENCIES	-	-
SHAREHOLDERS' DEFICIENCY		
Share capital	14,124,319	13,888,690
Deficit	(13,941,188)	(14,098,044)
Accumulated other comprehensive loss	(569,164)	(563,234)
	(386,033)	(772,588)
	\$ 13,377,016	\$ 13,652,026

DYNEX POWER INC.

Consolidated Statement of Losses and Deficits (Unaudited)

Quarter Ended March 31st, 2007

	3 months Mar 31st 2007	3 months Mar 31st 2006
Revenue	\$ 7,162,598	\$ 6,082,299
Cost of sales	5,930,965	4,967,543
Gross margin	1,231,633	1,114,756
Expenses		
General and administration	642,765	606,158
Sales and marketing	325,904	203,150
Research and development	144,545	150,271
Interest expense	214,738	182,392
	1,327,952	1,141,971
Loss before other income and income taxes	(96,319)	(27,215)
Other income		
Interest and other income	51,584	73,346
Foreign exchange gain	5,877	19,834
	57,461	93,180
Income taxes	-	-
NET (LOSS) EARNINGS	(38,858)	65,965
DEFICIT, BEGINNING OF PERIOD	(14,098,044)	(13,824,595)
Adjustment to deficit, beginning of period	195,714	-
DEFICIT, END OF PERIOD	\$ (13,941,188)	\$ (13,758,630)
(Loss) Earnings per share		
Basic	\$ (0.00)	\$ 0.00
Diluted	\$ (0.00)	\$ 0.00
Weighted average number of shares		
Basic	33,224,757	27,058,244
Diluted	33,224,757	28,065,387

DYNEX POWER INC.

Consolidated Statement of Comprehensive Loss (Unaudited)

Quarter Ended March 31st, 2007

	3 months Mar 31st 2007	3 months Mar 31st 2006
Net (loss) earnings	\$ (38,858)	\$ 65,965
Other Comprehensive (loss), net of tax:		
Unrealized (loss) on translating financial statements of self-sustaining foreign operations	(5,930)	(15,377)
OTHER COMPREHENSIVE (LOSS)	(5,930)	(15,377)
COMPREHENSIVE (LOSS) INCOME	\$ (44,788)	\$ 50,588

DYNEX POWER INC.

Consolidated Statement of Accumulated Other Comprehensive Loss (Unaudited)

Quarter Ended March 31st, 2007

	Mar 31st 2007	Dec 31st 2006
Accumulated other comprehensive loss, beginning of period	\$ (563,234)	\$ -
Adjustment to accumulated other comprehensive loss, beginning of period		
Cumulative adjustment on translation of financial statements of self-sustaining foreign operations	-	(415,092)
Accumulated other comprehensive loss, beginning of period	(563,234)	(415,092)
Other comprehensive loss	(5,930)	(148,142)
ACCUMULATED OTHER COMPREHENSIVE LOSS	\$ (569,164)	\$ (563,234)

DYNEX POWER INC.**Consolidated Statement of Cash Flows (Unaudited)****Quarter Ended March 31st, 2007**

	3 months	3 months
	Mar 31st	Mar 31st
	2007	2006
OPERATING		
Net (loss) earnings	\$ (38,858)	\$ 65,965
<u>Items not affecting cash</u>		
Amortization	71,475	53,688
Gain on disposal of capital assets	(55,581)	(39,188)
Shares and options issued for services	42,744	57,110
Non cash interest	51,392	-
Non cash grant income	(13,977)	-
Changes in non-cash operating working capital	527,264	1,362,827
	584,459	1,500,402
FINANCING		
(Decrease) in short-term debt	(74,081)	(694,584)
(Decrease) in long-term debt	(43,014)	(30,921)
	(117,095)	(725,505)
INVESTING		
Proceeds of disposal of capital assets	11,420	-
Purchase of capital assets	(276,290)	(33,491)
	(264,870)	(33,491)
NET INCREASE IN CASH	202,494	741,406
Effect of foreign currency translation on cash flow	(5,748)	(430)
Cash, beginning of period	357,042	331,897
CASH, END OF PERIOD	\$ 553,788	\$ 1,072,873
Supplementary Information:		
Interest paid during period	\$ 160,020	\$ 202,325
Income taxes paid during period	-	-